LendCo Limited

(Company registration Number: 11177105)

Annual Report and financial statements for the year ended 31 December 2020

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LendCo Limited

Company registration Number: 11177105

Directors

The following comprise the Board of Directors at the date of signing of the financial statements:

Mark Harris
Alexander King
Nigel Moore
Simon Knight
James Page
Tarun Sharma

Company Secretary

Simon Knight

Registered Office

55 Basinghall Street, London, EC2V 5DX

Independent Auditors

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 7 More London Riverside, SE1 2RT

Bankers

Barclays Bank plc, 1 Churchill Place, London E14 5HP
HSBC Bank plc, 60 Queen Victoria Street, London EC4N 4TR

LendCo Limited

Company registration Number: 11177105

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Strategic Report

The Directors present their strategic report of LendCo Limited (the "Company") for the year ended 31 December 2020.

The Company is domiciled in the UK and is a private limited company, incorporated in 2018.

Principal activities

The principal activity of the Company is to provide secured specialist property finance to third party borrowers.

The Company provides two types of secured property lending, bridging loans and Buy-To-Let ("BTL") loans. The Company sources borrowers, underwrites and originates loans before funding them by way of warehouse loan facilities.

Upon origination, the beneficial interest in each mortgage loan and their related security are sold by the Company to Talworth Ltd, a specialist mortgage special purpose vehicle, who funds the purchase by way of secured loan facilities from third party lenders and a subordinated loan from the Company.

The sale of the mortgage loans fails the de-recognition criteria of FRS102 and IAS 39 and therefore the mortgage loans remain as an asset on the statement of financial position of the Company via a deemed loan relationship with Talworth Ltd.

The Company's revenues arise principally from interest and fee income charged to third party borrowers of the mortgage loans.

Review of the business and performance

The mortgage loans originated by the Company amounted to £379.93m as of 31 December 2020 (2019 restated £254.07m – 2019 original £254.04m).

The Company's profit from operations for the year was £1.27m (2019 restated loss £1.26m – 2019 original loss £1.66m). The Company is continuing to grow with interest and fee income increasing 128% year on year while the gross loan book increased 50%. The weighted average interest rate achieved has remained steady while the net interest margin has increased. The Statement of Comprehensive Income for the year is set out on page 14.

Strategic Report (continued)

Key Performance Indicators "KPIs"

The KPI's are important indicators for the Board of Director's to monitor the performance of the business. The Directors' report and monitor KPI's on a monthly basis. Whilst management continue to track a range of financial and non-financial measures, it is these KPI's that the business uses to gauge progress.

The loan book has continued to grow in line with expectation. The directors monitor and review the pipeline of future loan origination opportunities and funding facilities to support it.

	As at 31 December 2020 £	As at 31 December 2019 £
Gross loan book	379,928,117	254,073,860
Weighted average annual interest rate	4.68%	4.29%

	Year to 31 December 2020 £	Year to 31 December 2019 £
Interest receivable	14,198,813	6,115,207
Fee Income	626,321	390,735
Total interest receivable and similar income	**14,825,134**	**6,505,942**

Prior year restatement

Following a review of interest income received and receivable it was discovered that interest was received monthly in arrears and interest income from the loan inception date to the end of the first month had not been accounted for. This was found and rectified in 2020 with adjustments back to 2019 leading to a restatement. This has resulted in increased interest receivable balance. This also led to an adjustment to deferred payment consideration which reduced the Deemed Loan balance. Further information on this is shown within the relevant notes and detailed in note 18.

Future developments

The Directors expect the Company to continue expanding its market share and property lending product offering, the Company is expecting to continue trading profitably during 2021 and endeavour to stay in that position for the foreseeable future despite Covid-19. The Company is exploring options to expand and diversify its sources of funding. The Company's forecasts and projections with ongoing support from other companies such as SPF Group Holdings Limited (the "Group") and its shareholders mean the financial statements continue to be prepared on a going concern basis.

Strategic Report (continued)

Principal risks and uncertainties and financial instruments

The business relies on its broker network to continue to introduce borrowers who wish to borrow at competitive terms driving continued growth and expansion of the Company's business. Loan products and pricing are continually benchmarked to market to remain competitive.

The Board has implemented an appropriate framework to ensure that it has sufficient visibility of the Company's key risks and the opportunity regularly to review the adequacy and effectiveness of the controls and strategies for managing and mitigating these risks (see note 3).

The Company's operations are financed primarily by the legal sale of the beneficial interest in the mortgage loans and their security to Talworth Ltd (recognised as a deemed loan liability in the financial statements), who funds the purchase by way of secured loan facilities from third party lenders and a subordinated loan from the Company. The Company continues to issue such financial instruments to finance the mortgage loans. It is not the Company's policy to trade in financial instruments.

In addition to the above dependency, the Company is exposed to and monitors the following risks;

Credit risk - the risk that the Company's loans and advances are subject to borrower default. The Company have prudent guidelines and policies for lending, delegated authorities, credit risk appetite limits and framework, provisioning for potential credit losses and regular credit quality assessment. The Board is also continually engaged in the review of the loan portfolio to ensure that it is performing within defined limits. Credit risk management lies at the core of the business and the Company has developed a strong credit risk management framework which includes:

- A clearly defined credit risk appetite framework
- The continued recruitment of specialist skills in credit underwriting
- A credit forum which meets daily
- A risk committee which meets monthly and reports to the Board

In addition to managing the credit risk associated with borrowers, the Company manages other risks including:

Brexit market risk – The UK left the European Union (EU) on 31 January 2020 and entered a transition period that ended on 31 December 2020 with an exit deal being signed; it is still early days so still difficult to determine the financial impact on the Company at this stage. There is a risk of financial instability, for example a detrimental effect on the UK economy may ultimately impact the underlying borrowers' ability to repay their loan obligations to the Company. However, the Directors do not currently consider Brexit to be a principal risk for the Company, given that the Company's principal activity is focused on lending against property assets in the UK. Although a general weakening of the UK economy and a fall in market sentiment may impact the Company's underlying security, the Directors believe that the Company's approach to credit risk is sufficiently robust and that the business could withstand fluctuations in the UK property market as a result of this uncertainty. However, the Directors will continue to closely monitor the impact of the decision on the market and therefore on the Company.

Strategic Report (continued)

Principal risks and uncertainties and financial instruments (continued)

Covid-19 market risk – Since 31 December 2020, the development and spreads of Covid-19 has resulted in the occurrence of a multitude of associated events. Among these are the identification of the virus, its spreads in the terms of number of infected and geographical prevalence, action taken by government and non-governmental organisations, actions taken by private entities, and the resulting economic effects of these. The UK and global economies are currently impacted negatively due to the ongoing Covid-19 pandemic. As this pandemic is impacting all industries and sectors, there is an ongoing risk of increased levels of insolvencies, redundancies and unemployment are expected over the foreseeable future. As of October 2021, there are no loans on payment holidays. As such, the future impact on the Company's revenue and liquidity levels are not yet fully known. The Company's employees have been working remotely and in line with Government advice and the Company regularly reviews available information as it pertains the operations and its customers.

Summary of risk – The directors note that both Brexit and Covid-19 may have a detrimental effect on the UK economy that may ultimately impact the borrowers' ability to repay the mortgage loans. The company have to date given minimal payment holidays and lender LTV's are conservative. The directors will continue to monitor the developments and assess for any changes accordingly. However, in the medium term, the directors recognise the possibility that losses on repossessions could increase in the future, were interest rates to rise significantly and/or house prices to decrease.

0.74% of the portfolio was subject to payment holidays as of 31 December 2020. The weighted average loan to value is below 70% which is conservative within the general BTL industry.

Operational risk - the risk of financial loss or reputational damage which might arise form inadequate or failed operating procedures, processes, people or systems is being mitigated by the Company maintaining robust operational systems and controls, investment in technology, and robust service level agreements with any outsourcing service providers. The Company has a Risk Committee, which meets on a regular basis to maintain strong risk management and compliance function.

Interest rate risk - the risk of financial losses from assets, liabilities and cash flows are sensitive to changes in interest rates. The Company seeks to mitigate this risk by monitoring any movements and reviewing the potential risk on a regular basis through its Risk Committee.

Currency risk – the Company is not exposed to currency risk as all its financial instruments are denominated in GBP.

Strategic Report (continued)

Principal risks and uncertainties and financial instruments (continued)

Liquidity risk - the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its short-term liabilities when they fall due, under both normal and stressed conditions, without risking damage to the Company's position. The Company's liquidity position is monitored and reviewed on an ongoing basis by the Directors and the Risk Committee. A key component of liquidity risk is the efficient management the Company's funding for the purpose of its long term BTL product.
IBOR reform - following the last financial crisis, financial market regulators embarked upon the reform and replacement of benchmark interest rates such as GBP London Interbank Offered Rate ("LIBOR") and other interbank offered rates ("IBOR"). As part of the IBOR reforms, the UK Financial Conduct Authority ("FCA") has decided to terminate GBP LIBOR submissions on which these benchmark interest rates with effect from 1 January 2022. The Company intends to shift to an alternative benchmark interest rate during the second half of 2021. Regulatory authorities and private sector working groups, including the International Swaps and Derivatives Association ("ISDA") and the Working Group on Sterling Risk-Free Reference Rates, have recommended various alternative benchmark rates for GBP LIBOR, depending on lender and / or borrower type. The current expectation is that in most cases Sterling Overnight Index Average ("SONIA") will replace GBP LIBOR, but Bank of England Base Rate or a Term SONIA Reference Rate are also two alternative benchmark rate options currently being explored by the Company. There are key differences between GBP LIBOR and SONIA:

- GBP LIBOR is a forward-looking term rate, published for a borrowing period (e.g., 3 months) at the beginning of the borrowing period, whereas SONIA is a backward-looking rate, based on overnight risk-free rates derived from an actual transaction.

- GBP LIBOR includes a credit spread over the risk-free rate, which SONIA does not.

Capital Management – The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

The Company is assessing and monitoring the industry's response to this change and developing a project plan to ensure any changes required to internal systems and processes and communications with customers occur in a timely manner.

Registered Office:
55 Basinghall Street
London
EC2V 5DX

On Behalf of the Board
Nigel Moore
Director
12 November 2021

LendCo Limited

Company registration Number: 11177105

Report of the Directors

The Directors present their report and the audited financial statements for the year to 31 December 2020.

Results and dividends
The profit and total comprehensive income for the year is £1,267,985 (2019 restated loss £1,264,564 – Original loss 2019 £1,659,896). No dividends were declared or paid in the year (2019 £nil). The Company is expected to grow and become profitable during 2021.

Directors and their interests
The Directors during the year and up to the date of signing the financial statements were:

Mark Harris
Alexander King
Nigel Moore
Simon Knight
James Page
Tarun Sharma

None of the directors have any beneficial interest in the ordinary share capital of the Company.

None of the directors had any interest during the year in any material contract or arrangement with the Company.

The directors do not recommend the payment of a dividend for the year.

Company Secretary
The Company Secretary during the year and up to the date of signing the financial statements was:

Simon Knight

Employees
The Directors recognise that the quality, commitment and motivation of the Company's staff are a key element in the success of the Company. Employees can share in this success through bonus schemes. The Company encourages its employees to develop their skills through training and continued professional development.

It is the policy of the Company to provide employment on an equal basis irrespective of gender, race, age, marital status, sexual orientation, religion or religious belief, nationality, colour or disability.

Going concern

The directors have undertaken a going concern assessment, including a review of the performance of the Company and emerging risks, including those in relation to Covid-19, and assessed the prospects of the Company. Following this assessment, the directors have concluded that the Company has adequate resources to meet its liabilities as they fall due for at least 12 months from the date of signing these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements (Note 2 c).

Report of the Directors (continued)

Insurance Cover

The Company purchases insurance to cover its Directors and Officers against their costs in defending themselves in civil legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. The insurance does not provide cover where the Director has acted fraudulently or dishonestly.

As permitted by company law, qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006) are in force for the benefit of the Directors (and for former Directors who held office during the 2020 financial year) at any time during the financial year and at the date of approval of the financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Statement of directors' responsibilities in respect of the financial statements (continued)

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors 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 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.

LendCo Limited

Company registration Number: 11177105

Report of the Directors (continued)

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Strategic Report

The Company's principal activities, review of the business and performance, future developments, principal risk and uncertainties, and financial instruments and KPIs are included within the Strategic Report on pages 3 to 7.

Streamlined Energy Carbon Reporting ("SECR")

The Company is out of scope of the Streamlined Energy and Carbon Reporting ("SECR"), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Share Capital

The issued share capital consists of 1 ordinary share valued at £0.01.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to accept reappointment. PricewaterhouseCoopers LLP are deemed to be reappointed in accordance with Section 487 of Companies Act 2006.

Registered Office:
55 Basinghall Street
London
EC2V 5DX

On Behalf of the Board

Nigel Moore - Director
12 November 2021

Independent auditors' report to the members of Lendco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lendco Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2020; Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Reporting on other information (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements , the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the industry laws and regulations and transaction documentation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to intentional misrepresentations in relation to the performance of Loans, or the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Making inquiries to those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud
- Testing the financial statement disclosures to underlying supporting documentation
- Review of minutes of meetings of the Directors that occurred during the year
- Testing a sample of manual journal entries and other adjustments impacting the Company's accounting records.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Christopher J Dalton

Christopher Dalton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 November 2021

Statement of Comprehensive Income
For the Year to 31 December 2020

	Note	Year to 31 December 2020 £	Year to 31 December 2019 £ Restated *
Interest receivable and similar income	4	14,825,134	6,505,942
Interest payable and similar expenses	5	(10,776,746)	(5,920,305)
Net interest income		**4,048,388**	**585,637**
Staff Costs	6	(1,802,399)	(1,653,005)
Amortisation of intangible assets	9	(169,719)	(171,017)
Other operating expenses		(408,424)	(373,100)
Total operating expense		**(2,380,542)**	**(2,197,122)**
Profit / (loss) before taxation	7	**1,667,846**	**(1,611,485)**
Tax on (profit) / loss	8	(399,861)	346,921
Profit / (loss) for the financial year		**1,267,985**	**(1,264,564)**
Other comprehensive income		-	-
Total comprehensive income / (expense) for the year		**1,267,985**	**(1,264,564)**

All amounts relate to continuing activities.

* Further information on the prior year restated figures are shown within note 18.

The Notes on pages 18 to 34 form an integral part of the financial statements.

Statement of Financial Position as at 31 December 2020

	Note	As at 31 December 2020 £	As at 31 December 2019 £ Restated *
ASSETS			
Fixed assets			
Intangible assets	9	100,860	270,579
Mortgage loans	10	348,288,076	227,767,845
		348,388,936	**228,038,424**
Current assets			
Mortgage loans	10	31,640,041	26,306,015
Trade and other receivables		858,718	777,162
Amounts owed by group undertakings	11	-	1,860,085
Cash at bank and in hand	12	1,845,768	869,770
		34,344,527	**29,813,032**
LIABILITIES			
Creditors: amounts falling due within one year			
Amounts owed to group undertakings	13	(29,907,367)	(22,919,416)
Trade and other payables	14	(964,795)	(811,250)
		(30,872,162)	**(23,730,666)**
Net current (liabilities) / assets		**3,472,365**	**6,082,366**
Total assets less current liabilities		**351,861,301**	**234,120,790**
Creditors: amounts falling due after more than one year			
Amounts owed to group undertakings	13	**(353,214,460)**	**(236,741,934)**
Net liabilities		**(1,353,159)**	**(2,621,144)**
CAPITAL AND RESERVES			
Called up share capital	15	**-**	**-**
Profit and loss account		**(1,353,159)**	**(2,621,144)**
Total shareholders' deficit		**(1,353,159)**	**(2,621,144)**

The financial statements on pages 14 to 34 were approved by the Board of Directors on 12 November 2021 and signed on its behalf by

* Further information on the prior year restated figures are shown within note 18.

JMoore.

Nigel Moore
Director

Company Registered Number: 11177105

The Notes on pages 18 to 34 form an integral part of the financial statements.

LendCo Limited

Company registration Number: 11177105

Statement of Changes in Equity
For the Year to 31 December 2020

	Called up share capital £	Profit and loss account £	Total shareholders' deficit £
Balance at 01 January 2020 - original	-	(3,016,476)	(3,016,476)
01 January 2020 - correction	-	395,332	395,332
Balance at 01 January 2020 - restated	-	(2,621,144)	(2,621,144)
Profit and total comprehensive income for the year	-	1,267,985	1,267,985
Balance at 31 December 2020	-	(1,353,159)	(1,353,159)

	Called up share capital £	Profit and loss account £	Total shareholders' deficit £
Balance at 01 January 2019	-	(1,356,580)	(1,356,580)
Loss and total comprehensive expense for the year - * restated	-	(1,264,564)	(1,264,564)
Balance at 31 December 2019	-	(2,621,144)	(2,621,144)

* Further information on the prior year restated figures are shown within note 18. Total comprehensive expense for 2019 was reduced by £395,332 due to the restatement.

The Notes on pages 18 to 34 form an integral part of the financial statements.

LendCo Limited

Company registration Number: 11177105

Statement of Cash Flows
For the Year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £ Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash outflow from operating activities	16	(122,484,479)	(206,318,524)
Income tax paid		-	-
Net cash used in operating activities		**(122,484,479)**	**(206,318,524)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles		-	(123,290)
Net cash used in investing activities		**-**	**(123,290)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans from subsidiary undertakings		123,460,477	204,191,330
Net cash generated from financing activites		**123,460,477**	**204,191,330**
Net increase / (decrease) in cash and cash equivalents		**975,998**	**(2,250,485)**
Cash and cash equivalents at beginning of year		869,770	3,120,254
Cash and cash equivalents at end of year		**1,845,768**	**869,769**

The Notes on pages 18 to 34 form an integral part of the financial statements.

Notes to the Financial Statements – Year to 31 December 2020 (continued)

1 General Information

The Company is a private limited company by shares incorporated and domiciled in the UK, registered in England and Wales the address of the registered office is 55 Basinghall Street, London, EC2V 5DX.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

a) Statement of compliance

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

b) Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The directors have adjusted the format of the statement of comprehensive income as allowed under the Companies Act 2006. This adjustment takes into account the opinion of the Directors that net interest income constitutes a more appropriate reflection of the Company's activities than turnover and cost of sales.

The functional and presentation currency are both pound sterling.

The Company has not taken advantage of any of the FRS 102 disclosure exemptions available to qualifying entities.

c) Going concern

The directors have undertaken a going concern assessment, including a review of the performance of the company and principal and emerging risks, including those in relation to Covid-19, and assessed the prospects of the Company.

At the end of the financial year the Company was still in an overall net liability position due to the continued growth of the Company. The Company's shareholder has undertaken to provide ongoing financial support and have provided written confirmation that it will not demand repayment of the financial support provided to the Company. Given this undertaking and assurances, and after review the Company's funding strategy, financial forecasts and Q3 2021 results falling in line with expectations, the Directors have a reasonable grounds to believe that the Company has access to adequate financial resources to continue in operational existence for at least 12 months from the date of these financial statements.

The senior loan facilities available to the special purpose vehicle along with a mezzanine facility provided by two other financial institutions are due for renewal in January 2022 and are used to fund the acquisition of loans from LendCo Limited.

2 Summary of significant accounting policies (continued)

c) **Going concern (continued)**

The special purpose vehicle disposed of £299m BTL loans towards the end of January 2021 as part of a planned securitisation, using the proceeds in turn to substantially repay its Senior, Mezzanine and Junior debt obligations at the same time. This has increased the net interest margin and will increase profitability.

The Company has become profitable during 2021 and is expected to remain profitable for the foreseeable future but could be impacted by Covid-19 due to ongoing uncertainty in the debt market. Even if the Company had to cease lending, profitability would remain, and cash generation would continue to be positive. The Company's forecasts and projections with ongoing support from other companies such as SPF Group Holdings Limited (the "Group") and its shareholders mean the financial statements continue to be prepared on a going concern basis.

After making enquiries regarding the quality of assets and the expiry of the Company's borrowing facilities, the directors have formed a judgement that at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

For accounting purposes, under Financial Reporting Standard 102 (Section 9) Talworth Ltd, a Special Purpose Entity (the "SPE") established by the Company is controlled by and therefore a subsidiary of the Company.

The Company is exempt from the requirement to prepare group financial statements by virtue of Section 400 of the Companies Act 2006. These financial statements present information about the Company as an individual undertaking and not about its Group of associated undertakings.

d) **Financial Instruments**

In accordance with Section 11.2 of Financial Reporting Standard 102, the provisions of IAS 39 have been adopted in full with respect to the recognition and measurement of financial instruments.

(i) Loans and receivables

Mortgage loans and amounts owed to group undertakings are classified as financial assets held at amortised cost. They are initially recognised at fair value of the cash given to originate the loan, plus transaction costs that are directly attributable to the origination of the financial asset. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as fixed assets.

The sale of the mortgage loans to Talworth Ltd do not meet the de-recognition criteria of IAS 39 as the Company has not transferred substantially all risks and rewards associated with the mortgage loans. This is primarily due to the retention of the majority of credit risk associated with the mortgage loans through the subordinated loan provided by the Company to the Talworth Ltd to finance the transaction as disclosed in note 10. Therefore, the mortgage loans remain on the statement of financial position of the Company and a deemed loan, being in substance the secured loan from Talworth Ltd has been recognised.

Notes to the Financial Statements – Year to 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks, together with other short term highly liquid investments with original maturities of three months or less and working capital overdrafts, which are subject to an insignificant risk of changes in value. The Company holds deposits with the provider of a transaction bank account, pre-funding bank account, issuer profit bank account and a general reserve bank account. These accounts are held in the Company's name and meet the definition of cash, but their use is restricted by a detailed priority of payments as set out in the transaction documentation. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

(iii) Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired, and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the original effective interest rate of the instrument at initial recognition. Impairment losses are recognised in the Statement of Comprehensive Income and the carrying amount of the financial asset reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted on measuring impairment.

(iv) Amounts owed to group undertakings

Amounts owed to group undertakings are initially recognised at fair value, 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 statement of financial position over the life of the relevant borrowing. Interest expense is recognised based on the effective interest rate method and is included in Interest payable and similar expenses. Because the sale of the mortgage loans does not meet the de-recognition criteria under IAS 39, the proceeds from the sale of the beneficial interests in the mortgage loans are recognised as a collateralised non-recourse deemed loan liability to Talworth Ltd (the 'Secured Loan').

(v) Trade and other payables

Trade and other payables are obligations to pay for goods or services, or other liabilities of the Company acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. Trade payables and other creditors are recognised initially at the transaction price and subsequently measured at amortised cost.

(vi) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Receivables are discounted where the time value of money is material.

2 Summary of significant accounting policies (continued)

(vi) Trade and other receivables (continued)

A provision for 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquencies in payments (more than either 60 or 90 days depending on the type of receivables) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(vii) Segmental Analysis

The Company's operations are carried out in the United Kingdom and the results and net assets are derived from its origination of the mortgage loans and therefore the directors only report one business and one geographic segment.

e) **Intangible assets other than goodwill**

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. Trademarks are expensed at amortised cost.

Amortisation charges are recorded on a straight-line basis over the assets estimated useful lives as follows:

Computer software	3 years
Trademarks	3 years

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

f) **Taxation**

Taxation is that payable on the profits for the year.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

g) **Revenue recognition**

Revenue is deemed to be interest on the mortgage loans, loan origination fee and commission income. Interest is recognised on an accrual basis over the term of the loans using the effective interest rate method. Deferred revenue and expenses such as fees and commissions are recognised over the term of the mortgage loans and incorporated into interest income via the effective interest rate.

2 Summary of significant accounting policies (continued)

h) **Pension costs**

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee's service in the current and prior year.

The Company operates a salary sacrifice scheme, whereby individuals waive a proportion of salary into a pension plan. Employee contributions are capped dependent on age and earnings. The Company contributes an amount equal to 39% of the saving made on employers National Insurance contributions.

i) **Critical accounting estimates and management judgements**

The preparation of financial statements in conformity with United Kingdom Accounting Standards, including Financial Reporting Standards 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006 requires management to make estimates and assumptions that affect the application of policies and reported amounts.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based, or as a result of new information or more experience.

No mortgage loans payments are overdue (> 90 days) and therefore there is no impairment.

No material critical accounting estimates or judgements have been used in the preparation of these financial statements.

3 Financial risk management and financial instruments

Financial risk factors

At the year-end financial instruments of the Company comprised mortgage loans, amounts due to group undertakings, amounts due from group undertakings, cash and cash equivalents and trade and other receivables and payables.

It is, and has been throughout the year under review, the Company's policy, that no trading in financial instruments shall be undertaken.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk in the form of interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects of these risks on the financial performance of the Company.

Notes to the Financial Statements – Year to 31 December 2020 (continued)

3 Financial risk management and financial instruments (continued)

Credit risk

The risk of financial loss arising from a borrower or counterparty failing to meet their contractual financial obligations to the Company. The Company is exposed to credit risk from its operating activities, primarily from the mortgage loans.

The Company has a set of detailed prudent lender guidelines and policies for its lending activities, delegated authorities, credit risk appetite limits and underwriting framework, provisioning for potential credit losses and frequent credit quality assessment. The Company has robust monitoring and control processes to ensure that all risks relating to individual borrowers are proactively identified. The Board is also continually engaged in review of the mortgage loan portfolio to ensure that it is performing within defined risk limits.

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below. The mortgage loans are secured by first charges over residential properties in the United Kingdom.

Financial Assets	Carrying value 31 December 2020	Maximum exposure 31 December 2020	Carrying value 31 December 2019	Maximum exposure 31 December 2019
Mortgage loans - original	379,928,117	379,928,117	254,043,642	254,043,642
Correction	-	-	30,218	30,218
Mortgage loans - restated	379,928,117	379,928,117	254,073,860	254,073,860
Amounts owed by group undertakings	-	-	1,860,085	1,860,085
Trade and other receivables	858,718	858,718	777,162	777,162
Cash at bank and in hand	1,845,768	1,845,768	869,770	869,770
	382,632,603	**382,632,603**	**257,580,876**	**257,580,876**

The table below sets out the carrying amount and any impairments. LendCo Limited recognise an impaired loan as anything >90 days past due or if material breach of borrowing terms, in which the breach is not capable of remedy. Payments holidays have been considered and offered in a small amount of cases but these are all now resolved.

The credit quality of the mortgage loans are summarised as follows:

	Carrying value 31 December 2020 £	Maximum exposure 31 December 2020 £	Not overdue 31 December 2020 £	< 1 month overdue 31 December 2020 £
Mortgage loans	379,928,117	379,928,117	378,856,127	1,071,990
	379,928,117	**379,928,117**	**378,856,127**	**1,071,990**

Financial Assets	Carrying value 31 December 2019 £	Maximum exposure 31 December 2019 £	Not overdue 31 December 2019 £	< 1 month overdue 31 December 2019 £
Mortgage loans - original	254,043,642	254,043,642	253,339,486	704,156
Correction	30,218	30,218	30,218	-
Mortgage loans - restated	**254,073,860**	**254,073,860**	**253,369,704**	**704,156**

LendCo Limited

Notes to the Financial Statements – Year to 31 December 2020 (continued)

3 Financial risk management and financial instruments (continued)

Liquidity risk

The risk that the Company is unable to meet its contractual financial obligations as they fall due or unable to fund future lending opportunities is its inability to do so at significantly higher funding costs. The Company's main source of funding is from Talworth Ltd who in turn are funded by five major lenders, an intercompany loan which exists with the Group and committed funds from the Group's majority shareholder to further decrease the Company's liquidity risk. The availability of funding and arm's length pricing is impacted by competition between third party lenders and external market forces.

Financial Liabilities	Carrying value	Gross cash flow	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
	£	£	£	£	£	£
Amounts owed to group undertakings	383,121,827	383,121,827	-	-	29,907,367	353,214,460
Trade and other payables	964,795	964,795	964,795	-	-	-
	384,086,622	**384,086,622**	**964,795**	**-**	**29,907,367**	**353,214,460**

As at 31 December 2019

Financial Liabilities	Carrying value	Gross cash flow	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
	£	£	£	£	£	£
Amounts owed to group undertakings - original	259,699,480	259,699,480	-	-	22,919,416	236,780,064
Correction	(38,130)	(38,130)	-	-	-	(38,130)
Amounts owed to group undertakings - restated	259,661,350	259,661,350	-	-	22,919,416	236,741,934
Trade and other payables	811,250	811,250	811,250	-	-	-
	260,472,600	**260,472,600**	**811,250**	**-**	**22,919,416**	**236,741,934**

Currency profile

All of the Company's financial assets and liabilities are dominated in GBP.

Interest rate risk

The Company is exposed to market risk through interest rate risk. Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The mortgage loans are at fixed rate or have been in their fixed rate period in the year. The interest rate of funds from group undertakings is fixed. The interest payable on the deemed loan from Talworth Ltd, represents the interest income, Talworth Ltd is entitled to in order to pay it's retained profit, expenses, financing costs hedging thereof under the transaction documents. While the senior and mezzanine third party funding, issued by Talworth Ltd are at variable rates, linked to LIBOR, Talworth Ltd economically hedges the interest rate risk from such liabilities using float to fixed interest rate swaps. Accordingly, the Company doesn't have any material exposure to variable interest rates, therefore no sensitivity analysis has been presented.

3 Financial risk management and financial instruments (continued)

Interest rate risk (continued)

The Company intends to shift to an alternative benchmark interest rate during the second half of 2021. Regulatory authorities and private sector working groups, including the International Swaps and Derivatives Association ("ISDA") and the Working Group on Sterling Risk-Free Reference Rates, have recommended various alternative benchmark rates for GBP LIBOR, depending on lender and / or borrower type. The current expectation is that in most cases Sterling Overnight Index Average ("SONIA") will replace GBP LIBOR, but Bank of England Base Rate or a Term SONIA Reference Rate are also two alternative benchmark rate options currently being explored by the Company.

- GBP LIBOR is a forward-looking term rate, published for a borrowing period (e.g., 3 months) at the beginning of the borrowing period, whereas SONIA is a backward-looking rate, based on overnight risk-free rates derived from an actual transaction.
- GBP LIBOR includes a credit spread over the risk-free rate, which SONIA does not.

Capital risk management

The risk that the Company has insufficient capital and access to funding to meet its lending requirements and growth objectives. Effective management of the Company's capital is critical to its ability to operate its business and to pursue its strategy.

The Company's internal target amount of capital is set by its own assessment of the risk profile of the business and market expectations. Critical risk appetite limits have been set on a forward-looking basis to ensure any capital raising activities are undertaken on a timely basis to continue supporting growth of the business.

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Company may adjust any amount of dividends paid to shareholders, return capital to shareholders, issue new shares, convert shareholder loan to equity or sell assets to reduce debt. During the year no dividends were paid or proposed (2019: Nil).

4 Interest receivable and similar income

	Year ended 31 December 2020	Year ended 31 December 2019 Restated	Year ended 31 December 2019 Correction	Year ended 31 December 2019 Original
	£	£	£	£
On mortgage loans	14,814,744	6,499,899	411,147	6,088,752
On deposit account	10,390	6,043	-	6,043
	14,825,134	**6,505,942**	**411,147**	**6,094,795**

5 Interest payable and similar expenses

	Year ended 31 December 2020	Year ended 31 December 2019 Restated	Year ended 31 December 2019 Correction	Year ended 31 December 2019 Original
	£	£	£	£
Deemed loan interest	8,723,400	4,240,786	15,815	4,224,971
Arrangement fee amortisation - Senior Funding	1,026,511	512,884	-	512,884
Interest payable to fellow group undertaking (Junior funding)	1,026,835	1,166,635	-	1,166,635
	10,776,746	**5,920,305**	**15,815**	**5,904,490**

6 Staff Costs

a) Analysis of staff costs

	Year ended 31 December 2020	Year ended 31 December 2019
	£	£
Wages and salaries	995,869	960,129
Incentive bonuses & commissions	500,265	472,376
Social security costs	250,804	175,130
Other pension costs	55,461	45,370
	1,802,399	**1,653,005**

b) Staff numbers

The average monthly number of persons (including executive directors) employed by the Company during the year was 15 (2019 - 13).

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Sales	-	1
Administration	15	12
Total average headcount	**15**	**13**

6 Staff Costs (continued)

c) Key management compensation for the Board of Directors

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Key management		
- Aggregate remuneration excluding bonuses	289	277
- Bonuses	265	256
- Pensions contributions	9	6
- National Insurance	73	70
Total short term employment benefits	636	609

No directors had benefits accruing under the money purchase and defined benefit schemes.

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Highest paid director		
- Aggregate remuneration excluding bonuses	164	160
- Bonuses	150	150
- National Insurance	42	42
Total short term employment benefits	356	352

d) Retirement contribution obligations

The Company's staff participated in the Company's personal pension plan, a defined contribution scheme, and individual defined contribution plans to which it contributed.

The Company's total pension charge in respect of these plans was £55k (2019 £45k).

7 Profit / (loss) before taxation

Operating profit / (loss) is stated after charging:

	Note	Year to 31 December 2020 £	Year to 31 December 2019 £
Staff Costs	6	1,802,399	1,653,005
Audit fees payable to the Company's auditors		48,000	48,000

There were no non-audit services provided during the year (2019: £nil).

LendCo Limited

Notes to the Financial Statements – Year to 31 December 2020 (continued)

8 Tax on profit / (loss)

Analysis of tax charge / (credit) for the year:

	Year to 31 December 2020 £	Year to 31 December 2019 £ Restated	Year to 31 December 2019 £ Correction	Year to 31 December 2019 £ Original
Current tax				
United Kingdom Corporation tax at 19.00% (2019 - 19.00%)	316,891	(306,182)	75,113	(381,295)
Adjustments in respect of prior periods	-	(46,666)	-	(46,666)
Expenses not deductible for tax purposes	82,970	5,927	(75,113)	81,040
Income tax on profit / (loss) from continuing activities	399,861	(346,921)	(0)	(346,921)
Profit / (loss) before income tax	1,667,846	(1,611,485)	395,332	(2,006,817)
Profit / (loss) before income tax multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	316,891	(306,182)	75,113	(381,295)
Effects of:				
Adjustments in respect of prior periods	-	(46,666)	-	(46,666)
Expenses not deductible for tax purposes	82,970	5,927	(75,113)	81,040
Income tax charge / (credit) on profit / (loss) on continuing activities	399,861	(346,921)	-	(346,921)
The effective tax rate for the year is:	24.0%	21.5%	-	17.3%

9 Intangible assets

	Computer Software £	Trademarks £	Total £
Cost			
As at 01 January 2020	508,950	2,834	511,784
Additions in year	-	-	-
At 31 December 2020	**508,950**	**2,834**	**511,784**
Accumulated amortisation			
As at 01 January 2020	(239,879)	(1,326)	(241,205)
Amortisation charge for the year	(168,774)	(945)	(169,719)
At 31 December 2020	**(408,653)**	**(2,271)**	**(410,924)**
Net Book Value			
At 31 December 2020	**100,297**	**563**	**100,860**

9 Intangible assets (continued)

	Computer Software	Trademarks	Total
	£	£	£
Cost			
As at 01 January 2019	385,914	2,580	388,494
Additions in year	123,036	254	123,290
At 31 December 2019	**508,950**	**2,834**	**511,784**
Accumulated amortisation and impairment			
As at 01 January 2019	(69,951)	(237)	(70,188)
Charge for the year	(169,928)	(1,089)	(171,017)
At 31 December 2019	**(239,879)**	**(1,326)**	**(241,205)**
Net Book Value			
At 31 December 2019	**269,071**	**1,508**	**270,579**

No impairment of intangible assets in the year (2019: £nil).

10 Mortgage loans

The mortgage loans are secured by first charges over residential properties in the United Kingdom.

	31 December 2020	31 December 2019 Restated	31 December 2019 Correction	31 December 2019 Original
	£	£	£	£
Book value				
Opening mortgage loans	254,073,860	49,176,094	-	49,176,094
Mortgage loans originated during the year	177,785,312	218,942,312	(82,257)	219,024,569
Repayments on mortgage loans during the year	(51,467,275)	(12,756,823)	112,475	(12,869,298)
EIR adjustment	(463,780)	(1,287,723)	-	(1,287,723)
Closing balance	**379,928,117**	**254,073,860**	**30,218**	**254,043,642**

The maturity profile of the mortgage loans was as follows:

	31 December 2020	31 December 2019 Restated	31 December 2019 Correction	31 December 2019 Original
	£	£	£	£
In more than one year	348,288,076	227,767,845	30,218	227,737,627
In one year or less	31,640,041	26,306,015	-	26,306,015
	379,928,117	**254,073,860**	**30,218**	**254,043,642**

The sale of the mortgage loans and their related security to the Talworth Ltd do not meet the de-recognition criteria of IAS39 FRS102 as the Company has not transferred substantially all risks and rewards associated with the mortgage loans and accordingly recognised on the Company's statement of financial position. The mortgage loans and their related securities are pledged as security to the Talworth Ltd lenders disclosed in note 13.

All mortgage loans were originated in the year under market terms in line with the Company's origination criteria and procedures therefore it is assessed that as of 31 December 2020 the book value of mortgage loans is an approximate their fair value.

11 Amounts owed by group undertakings

	Note	31 December 2020 £	31 December 2019 £
Amounts owed by group undertakings	17	-	1,860,085
		-	**1,860,085**

The loan to Talworth Ltd is repayable on demand and represents cash held by Talworth Ltd on account to fund the origination of mortgage loans. This loan was repaid during 2020.

12 Cash at bank and in hand

	31 December 2020 £	31 December 2019 £
Cash at bank	1,845,768	869,770
	1,845,768	**869,770**

13 Amounts owed to group undertakings

		31 December 2020 £	31 December 2019 £ Restated	31 December 2019 £ Correction	31 December 2019 £ Original
Deemed loan from Talworth Ltd (Senior funding)		353,214,460	236,741,934	(38,130)	236,780,064
Loan from SPF Group Finance Ltd (Junior funding)	17	29,907,367	22,919,416	-	22,919,416
		383,121,827	**259,661,350**	**(38,130)**	**259,699,480**

The deemed loan from Talworth Ltd represent the amounts received upon the legal sale of the mortgage loans sold at origination at book value net of the corresponding funding provided by the Company to Talworth Ltd.

	31 December 2020 £	31 December 2019 £ Restated	31 December 2019 £ Correction	31 December 2019 £ Original
Net proceeds from legal sale of the Mortgage loans to Talworth Ltd at book value	381,829,850	255,511,814	30,219	255,481,595
Junior funding of the Mortgage Sale to Talworth Ltd by the Company	(28,615,390)	(18,769,880)	(68,349)	(18,701,531)
Deemed loan from Talworth Ltd (Senior funding)	**353,214,460**	**236,741,934**	**(38,130)**	**236,780,064**

The loan from SPF Group Finance Ltd represents the amounts drawn down under the intercompany loan funding agreement, which is unsecured and repayable on demand. There is no intention for the directors to call this amount.

The book value of the loans from fellow group undertakings approximates their fair value.

Notes to the Financial Statements – Year to 31 December 2020 (continued)

14 Trade and other payables

	31 December 2020 £	31 December 2019 £
Trade creditors	143,506	109,641
Accruals and deferred income	685,894	672,877
Corporation tax payable	99,605	-
Taxation and social security	35,790	28,732
	964,795	**811,250**

15 Share Capital

Ordinary shares £0.01 each

	Number	
Authorised	1	(2019 : 1)
Allotted, called up and fully paid	1	(2019 : 1)

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

16 Cash generated from operations

	Year to 31 December 2020 £	Year to 31 December 2019 £ Restated	Year to 31 December 2019 £ Correction	Year to 31 December 2019 £ Original
Profit / (loss) before tax	**1,667,846**	**(1,611,485)**	**395,332**	**(2,006,817)**
Amortisation of intangible assets	169,719	171,017	-	171,017
Net increase / (decrease) in amounts owed by group undertakings	1,860,085	467,198	(38,130)	505,328
Net increase in mortgage loans	(125,854,257)	(204,897,766)	(30,218)	(204,867,548)
Net (increase) / decrease in trade and other debtors	(382,418)	(124,679)	(326,984)	202,305
Net increase / (decrease) in trade and other creditors	54,546	(322,809)	-	(322,809)
Cash outflow from operating activities	**(122,484,479)**	**(206,318,524)**	**-**	**(206,318,524)**

LendCo Limited

Notes to the Financial Statements – Year to 31 December 2020 (continued)

17 Related party transactions

During the year ended 31 December 2020 various transactions occurred between the Company and its fellow group undertakings. These included intra group financing via loans, recharges of shared costs for rent, IT and compliance and accounting function. All transactions were undertaken on an arm's length basis.

The amount of transactions during the year and balances outstanding as of 31 December 2020 were as follows:

	Interest income year to 31 December 2020 £	Interest expense year to 31 December 2020 £	Administrative expenses year to 31 December 2020 £
Talworth Ltd	795,811	9,749,911	-
SPF Group Finance Ltd	-	1,026,835	-
SPF Group Holdings Ltd	-	-	-
SPF Private Clients Ltd	-	-	506,861
	795,811	10,776,746	506,861

Balances with fellow group undertakings

	Loans receivable 31 December 2020 £	Loans payable 31 December 2020 £	Trade receivables 31 December 2020 £	Trade creditors 31 December 2020 £
Talworth Ltd	-	353,214,460	-	-
SPF Group Finance Ltd	-	29,907,367	-	-
	-	383,121,827	-	-

Fellow group undertakings

	Interest income year to 31 December 2019 £	Interest expense year to 31 December 2019 £	Administrative expenses year to 31 December 2019 £
Talworth Ltd - original	766,207	4,737,854	-
Correction	-	15,816	-
Talworth - restated	766,207	4,753,670	-
SPF Group Finance Ltd	-	1,166,635	-
SPF Private Clients Ltd	-	-	521,721
	766,207	5,920,305	521,721

Balances with fellow group undertakings

	Loans receivable 31 December 2019 £	Loans payable 31 December 2019 £	Trade receivables 31 December 2019 £	Trade creditors 31 December 2019 £
Talworth Ltd - original	1,860,085	236,780,064	-	-
Correction	-	(38,130)	-	-
Talworth - restated	1,860,085	236,741,934	-	-
SPF Group Finance Ltd	-	22,919,416	-	-
	1,860,085	259,661,350	-	-

Notes to the Financial Statements – Year to 31 December 2020 (continued)

18 Prior year restatement

Following a review of interest income received and receivable it was discovered that interest was received monthly in arrears and interest income from the loan inception date to the end of the first month had not been accounted for. This was found and rectified in 2020 with adjustments back to 2019 leading to a restatement. This has resulted in increased interest receivable balance. This also led to an adjustment to deferred payment consideration which reduced the Deemed Loan balance. The consequential impacts have been noted in the strategic report, below and throughout the notes to the financial statements.

Statement of Comprehensive Income

	Note	Year to 31 December 2019 £ Restated *	Year to 31 December 2019 £ Correction	Year to 31 December 2019 £ Original
Interest receivable and similar income	4	6,505,942	411,147	6,094,795
Interest payable and similar expenses	5	(5,920,305)	(15,815)	(5,904,490)
Net interest income		**585,637**	**395,332**	**190,305**
Staff Costs	6	(1,653,005)	-	(1,653,005)
Amortisation of intangible assets	9	(171,017)	-	(171,017)
Other operating expenses		(373,100)	-	(373,100)
Total operating expense		**(2,197,122)**	**-**	**(2,197,122)**
Profit / (loss) before taxation	7	**(1,611,485)**	**395,332**	**(2,006,817)**
Tax on (profit) / loss	8	346,921	-	346,921
Profit / (loss) for the financial year		**(1,264,564)**	**395,332**	**(1,659,896)**
Other comprehensive income		-	-	-
Total comprehensive income / (expense) for the year		**(1,264,564)**	**395,332**	**(1,659,896)**

Notes to the Financial Statements – Year to 31 December 2020 (continued)

18 Prior year restatement (continued)

Statement of Financial Position

	Note	As at 31 December 2019 £ Restated *	As at 31 December 2019 £ Correction	As at 31 December 2019 £ Original
ASSETS				
Fixed assets				
Intangible assets	9	270,579	-	270,579
Mortgage loans	10	227,767,845	30,218	227,737,627
		228,038,424	**30,218**	**228,008,206**
Current assets				
Mortgage loans	10	26,306,015	-	26,306,015
Trade and other receivables		777,162	326,984	450,178
Amounts owed by group undertakings	11	1,860,085	-	1,860,085
Cash at bank and in hand	12	869,770	-	869,770
		29,813,032	**326,984**	**29,486,048**
LIABILITIES				
Creditors: amounts falling due within one year				
Amounts owed to group undertakings	13	(22,919,416)	-	(22,919,416)
Trade and other payables	14	(811,250)	-	(811,250)
		(23,730,666)	**-**	**(23,730,666)**
Net current (liabilities) / assets		**6,082,366**	**326,984**	**5,755,382**
Total assets less current liabilities		**234,120,790**	**357,202**	**233,763,588**
Creditors: amounts falling due after more than one year				
Amounts owed to group undertakings	13	**(236,741,934)**	**38,130**	**(236,780,064)**
Net liabilities		**(2,621,144)**	**395,332**	**(3,016,476)**
CAPITAL AND RESERVES				
Called up share capital	15	-	-	-
Profit and loss account		**(2,621,144)**	**395,332**	**(3,016,476)**
Total shareholders' deficit		**(2,621,144)**	**395,332**	**(3,016,476)**

19 Post balance sheet event

The special purpose vehicle disposed of £299m BTL loans towards the end of January 2021 as part of a planned securitisation, using the proceeds in turn to substantially repay its Senior, Mezzanine and Junior debt obligations at the same time. The directors assess this event to be a non-adjusting post balance sheet event.

20 Parent undertaking

The Company's immediate parent company is SPF Group Finance Limited. The ultimate parent undertaking and controlling party is Cabot Square Partners Holding Limited which is controlled by John van Deventer.

The parent undertaking of the small and largest group, which includes the company and for which group accounts are prepared, is SPF Group Holdings Limited, a company registered in England and Wales. The group accounts are available from City Place House, 55 Basinghall Street, London, EC2V 5DX.