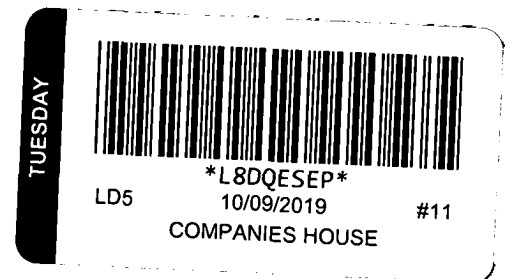


Registration Number 08668507

Landbay Partners Limited
Directors' Report and Financial Statements
for the year ended 31 December 2018



Company Information

Directors	J Goodall G Stern J Sutton (Resigned 30 June 2018) J Jenkins A Ward R Burgess (Resigned 30 June 2018) J H Cork M P Baptista (Appointed 6 November 2018)
Secretary	R Bhopal
Company Number	08668507
Registered Office	60 7th Floor, Buckingham Palace Road London SW1W 0AH
Independent Auditor	Nexia Smith & Williamson Chartered Accountants Statutory Auditor 25 Moorgate London EC2R 6AY

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Strategic Report

For the year ended 31 December 2018

The Directors present their Strategic Report on the Company for the year ended 31 December 2018.

Review of the business

Principal Activities and Business Review:

The Company is a specialist mortgage marketplace lender focused on the Prime Specialist BTL Market, raising funds from depositors ('Lenders') via an online platform and lending them to borrowers in the form of residential mortgages to purchase or refinance Buy-To-Let (BTL) properties, predominantly by experienced landlords and professional investors. The Company is fully authorised by the FCA to operate an electronic platform relating to lending.

Lender funds are directly matched to a portfolio of UK residential mortgages that generate stable rental income. Lenders own a share in these mortgages and receive monthly interest. The funds are directly secured by a first legal charge over the property, held in trust by a Security Trustee.

The Company continued to invest heavily during the year with lending increasing fourfold to £149m.

Landbay continues to increase traction with brokers and won several industry awards including Buy-to-Let Lender of the year and Deloitte top 20 fastest growing technology companies in the UK.

Landbay continued to diversify its funding sources to further underpin lending growth ending the year with a strong pipeline. Loan credit quality also remained strong with no defaults to date.

Risks and Uncertainties:

The Company is not exposed to direct risk of capital loss across borrower loans. Lenders retain beneficial interest in the loans with the Company acting as agent in facilitating and administering the loans. The Company derives revenue from fees at loan inception and recurring margin throughout the loan term, with all lender funds held in segregated Client Accounts. All loans are subject to stringent credit and affordability criteria, secured against residential properties valued by an external firm of surveyors, who are subject to independent selection and monitoring by a Panel Manager. In the unlikely event of a borrower defaulting on repayments which cannot be recovered as a last resort the property is repossessed to repay the original loan capital plus arrears and costs, though this may still result in a shortfall. In common with the broader market, interest rate, liquidity and economic risks may affect revenue and loan performance.

The following key macro risks that can adversely affect our markets and business include:

- Changes in interest rates;
- Lack of liquidity and tighter lending criteria;
- Slowdown in the residential housing market;
- Slowdown in the private rental market;
- Changes in taxation policies and regulation; and
- Contagion from failure of other P2P platforms.

The above list of risks is meant to highlight, in addition to any noted elsewhere in this report, those we consider relevant today and not intended to be an exhaustive list of risks facing the business.

In addition to the regular Board and Executive Management meetings, the Company maintains Corporate Governance through various Governance Committees, including Credit Committee, Risk and Controls Committee and Treasury and Financial Committee. These comprise stakeholders from across the business, chaired by Senior Management members, and accountable to the Board for managing and reporting according to the Company's Risk Policies and Mandates.

Strategic Report (continued)
For the year ended 31 December 2018

Funding:

As in previous years, the business continued to raise equity from existing and new investors. The total raised during the year was £2.6m with a further raise of £2.2m completed in April 2019. The business maintained a strong financial position at the year end with positive cash with no debt or other financial instruments on its balance sheet.

Lending in 2018 picked up significantly, with consistent quarter on quarter growth throughout the year supported by institutional funding facilities. Investment in the new online platforms was significantly increased to drive efficiency and maintain service levels as the business scales. A number of initiatives were successfully delivered during the year. Key indicators are summarised below.

	2018 Number	2017 Number
Lenders		
Number of registered users	7,644	6,146
Funded accounts	2,540	2,267
Borrowers		
Flow – Loan completions (value and volume)	£149,281,000 on 637	£39,485,000 on 155
Stock – Loan book (value and volume)	£231,907,000 on 1,036	£49,100,000 on 222
Gearing - Loan to Value (LTV)	72%	68%
- Service - Processing efficiency from application to completion		
- Diversification - Geographical distribution		
- Affordability - Rental coverage		

The specialist segment of the overall buy to let market is growing strongly, partly driven by regulatory and tax changes. Landbay is building a scalable, technology enabled and service focused lender with the aim to become the leading specialist BTL lender in the UK.

Landbay has built strong origination capabilities through the intermediary channel. In November 2018 Landbay was awarded "BTL lender of the year" at the Mortgage Introducer awards.

Landbay has a strong and experienced lending and management team and is a member of the Intermediary Mortgage Lenders Association and is also the only Marketplace Lending platform to be a member of UK Finance.

Landbay expects originations to continue growing strongly throughout 2019. Post year end trading has significantly exceeded Q4 2018 trading.

The mortgage loan book grew significantly with new originations supported by low redemption rate. The overall BTL market gross lending grew slightly to c.£37bn (2017: c.£36bn), however, the specialist lending market within this grew at a much faster rate with market changes driving additional lending from portfolio landlords. The Company continues to closely monitor and analyse the profile of Lenders to grow the base and value of funded accounts, helping to diversify funding sources for BTL lending.

Strategic Report (continued)

For the year ended 31 December 2018

Funding (continued):

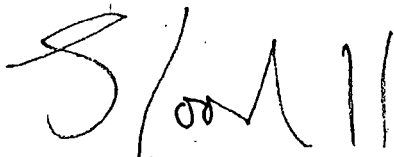
Revenue grew almost five times through robust growth in loan originations with stronger margins by maintaining efficient funding and origination models. The increase in operational cash was re-invested into the business in key areas such as Technology, Operations, and Underwriting to maintain service standards and credit quality. Headcount increased by 50% to support continued growth. Given this investment the business posted an operating loss for the year.

The quality of the mortgage loan book, based on the key metrics mentioned earlier, are monitored and controlled through prudent credit policies and underwriting processes. These are regularly reviewed and mandated at Credit Committee. The Loan to Value (LTV) and rental coverage of the whole portfolio remained comfortably within minimum criteria limits, supporting a fully performing book with no defaults. These metrics indicate the strong credit quality at the centre of our business model of consistent and sustainable returns for Lenders through the long term.

Review of strategy and business model

In common with high growth businesses the loss incurred in the year is driven by the Company's continuing investment in people, infrastructure and processes. As mentioned earlier, the company anticipates further strong growth with the business gradually moving towards profitability with improving operational cash generation.

This report was approved by the Board on 15 April 2019.



John Goddall
Director

Company Registered no. 08668507

Directors' Report

For the year ended 31 December 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Results and Dividends

The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 12. The Directors do not recommend a future payment of a dividend. The loss for the period was £1,446,193.

Future Developments

Whilst the overall BTL market is expected to show modest growth, the specialist mortgage market is expected to continue growing strongly. Projected growth in the private rental market with strong appetite from professional landlords combined with ongoing supply restrictions will continue to underpin lending.

Funding

As described in the Strategic Report, the Directors were at final stages of concluding further equity raise post year end to support the Company's ongoing growth. A total of £2.6m was raised in 2018 through new equity. The Company has no debt borrowings.

Employees

The Directors recognise the benefits which accrue from keeping employees informed on the progress of the business and involving them in the Company's performance. The Company is committed to providing equality of opportunity to all employees regardless of nationality, ethnic origin, age, sex or sexual orientation and continues to be supportive of the employment and advancement of disabled persons.

Health, Safety and the Environment

The Directors consider the health, safety and environmental protection aspects of the business to be of great importance, as the prevention of personal injury, the avoidance of damage to health and the protection of the environment are important business and social responsibilities. Management practices within the Company are designed to ensure so far as is reasonably practicable, the health, safety and welfare at work of employees, contractors and visitors and the implementation of environmentally aware and friendly policies.

Directors

The Directors who served during the year are detailed below:

J Goodall
G Stern
J Sutton (Resigned 30 June 2018)
J Jenkins
A Ward
R Burgess (Resigned 30 June 2018)
J H Cork
M P Baptista (Appointed 6 November 2018)

Going concern

At the year end the Company had made a total comprehensive loss for the year of £1,446,193. In assessing the Company's going concern status, the Directors have considered the trading results since the year end, the profit and loss forecast, the cash flow forecast, the equity fundraise secured post year end and are confident that the Company has adequate resources to be able to support growth, working capital commitments, regulatory capital requirements and to meet its obligations as they fall due for the foreseeable future.

Accordingly, the financial statements have been prepared on a going concern basis which the Directors consider appropriate in the circumstances.

Post balance sheet events

The company completed an equity raise of £2.2m in April 2019.

Directors' Report (continued)

For the year ended 31 December 2018

Auditor

The auditor, Nexia Smith & Williamson, shall hold office subject to and in accordance with the provisions of sections 485 to 488 of the Companies Act 2006.

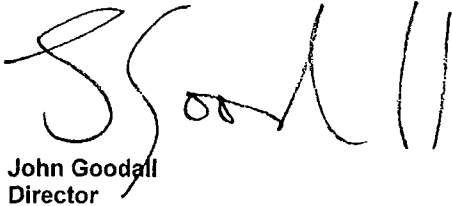
Disclosure of information to auditors

Directors of the Company have confirmed that in fulfilling their duties as a director:

- so far as they are each aware, there was no relevant audit information of which the Company's auditor is unaware; and
- they have taken all reasonable steps that a director ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provision of s.418 of the Companies Act 2006.

This report was approved by the Board on 18 April 2019.



John Goodall
Director

Company Registered no. 08668507

Statement of Directors' Responsibilities

For the year ended 31 December 2018

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. 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;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.



Independent Auditor's Report to the Members of Landbay Partners Limited

Opinion

We have audited the financial statements of Landbay Partners Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Financial Position, the Statement of Cash Flow and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Landbay Partners Limited (continued)

Opinion 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



Use of our report

This report is made solely to the 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.

Nexia Smith & Williamson

Guy Swarbreck

Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 11 April 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

		Year ended 31 December 2018 £	Year ended 31 December 2017 £
	Note		
Revenue	5	4,377,288	994,495
Cost of sales		(1,836,877)	(745,430)
Gross Profit		2,540,411	249,065
Other income	2	900	200,000
Administrative expenses		(4,326,330)	(2,523,490)
Loss on ordinary activities before tax	8	(1,785,019)	(2,074,425)
Taxation	9	338,826	222,407
Loss for the year after tax		(1,446,193)	(1,852,018)
Other comprehensive income		-	-
Total comprehensive loss for the period	19	(1,446,193)	(1,852,018)

All income relates to continuing operations.

The notes on pages 16 to 29 form part of these financial statements.

Statement of Changes in Shareholders' Equity
As at 31 December 2018

	Share capital £	Share premium £	Deferred consideration reserve £	Retained earnings £	Share option reserve £	Total equity £
Balance at 1 January 2017	1,470	4,684,873	760,000	(4,457,472)	-	988,871
Total comprehensive loss for the year	-	-	-	(1,852,018)	-	(1,852,018)
Conversion to new ordinary shares	197	1,786,826	(1,786,878)	-	-	145
Issue of new ordinary shares	52	474,982	-	-	-	475,034
Deposits received	-	-	1,861,844	-	-	1,861,844
Share based payment charge	-	-	-	-	59,917	59,917
Balance at 31 December 2017	1,719	6,946,681	834,966	(6,309,490)	59,917	1,533,793
Total comprehensive loss for the year	-	-	-	(1,446,193)	-	(1,446,193)
Conversion to new ordinary shares	39	499,941	(499,980)	-	-	-
Issue of new ordinary shares	161	2,048,212	-	-	-	2,048,373
Deposits received	-	-	250,000	-	-	250,000
Cancellation of deferred consideration	-	-	(265,000)	-	-	(265,000)
Share based payment charge	-	-	-	-	-	-
Balance at 31 December 2018	1,919	9,494,834	319,986	(7,755,683)	59,917	2,120,973

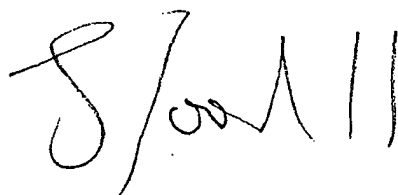
The notes on pages 16 to 29 form part of these financial statements.

Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Assets			
Non-current assets			
Intangible assets	11	1,903,378	1,174,034
Property, plant and equipment	12	165,994	25,713
Investments	13	1,000	1,000
Other receivables	14	128,535	-
		<u>2,198,907</u>	<u>1,200,747</u>
Current assets			
Trade and other receivables	14	787,546	464,603
Cash and cash equivalents	15	189,872	299,834
		<u>977,418</u>	<u>764,437</u>
Total assets		<u>3,176,325</u>	<u>1,965,184</u>
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	1,919	1,719
Share premium	17	9,494,834	6,946,681
Deferred consideration reserve	18	319,986	834,966
Share option reserve		59,917	59,917
Retained earnings	19	(7,755,683)	(6,309,490)
Total equity		<u>2,120,973</u>	<u>1,533,793</u>
Liabilities			
Current liabilities			
Trade and other payables	20	1,055,352	431,391
		<u>1,055,352</u>	<u>431,391</u>
Total liabilities		<u>1,055,352</u>	<u>431,391</u>
Total equity and liabilities		<u>3,176,325</u>	<u>1,965,184</u>

These financial statements have been approved for issue by the Board of Directors on 15 April 2019 and signed on behalf by:



John Goodall
Director

Company Registered no. 08668507

The notes on pages 16 to 29 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flow from operating activities			
Net cash used in operating activities	21	(1,082,390)	(1,723,539)
Corporation tax credit received		222,407	219,508
		<u>(859,983)</u>	<u>(1,504,031)</u>
Cash flow from investing activities			
Payments for property, plant and equipment		(202,083)	(10,776)
Payments for intangible assets		(1,084,774)	(741,115)
Proceeds on disposal		3,505	-
Net cash used in investing activities		<u>(1,283,352)</u>	<u>(751,891)</u>
Cash flow from financing activities			
Proceeds from issue of shares		1,783,373	1,787,023
Proceeds received in advance of shares to be issued		250,000	550,000
Net cash generated from financing activities		<u>2,033,373</u>	<u>2,337,023</u>
Net increase in cash		<u>(109,962)</u>	<u>81,101</u>
Cash and cash equivalents at beginning of period		299,834	218,733
Cash and cash equivalents at end of period	15	<u>189,872</u>	<u>299,834</u>

The notes on pages 16 to 29 form part of these financial statements.

Notes to the Financial Statements

For year ended 31 December 2018

Registered number: 08668507

1. General information

Landbay Partners Limited, a private limited company, limited by shares, incorporated in England and Wales, is a peer to peer ('P2P') platform operator, raising funds from depositors ('Lenders') and lending them out as residential mortgages to borrowers for the purchase or refinance of Buy-To-Let ('BTL') properties, predominantly to experienced landlords and professional investors. The address of its registered office is 60 7th Floor, Buckingham Palace Road, London, SW1W 0AH.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of Landbay Partners Limited have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS. The Company's financial statements have been prepared under the historical cost convention and on a going concern basis.

The financial statements have been prepared in accordance with IFRS issued and effective or issued and early adopted as at the time of preparing these financial statements.

The financial statements present information about the Company and not its group. The Company has taken advantage of the exemption to not produce consolidated financial statements in accordance with s.402 of the Companies Act 2006 as, in accordance with s.405 of the Companies Act 2006, a subsidiary undertaking may be excluded from consolidation if its inclusion is not material for the purpose of giving a true and fair view.

Changes in accounting policies and disclosures*a) New and amended Standards and Interpretations adopted by the company*

The Company has adopted "IFRS 9 Financial instruments", IFRS 15 "Revenue from contracts with customers" and "IFRS 2 Classification and measurement of share-based payment transactions" for the first time this period. These new standards require additional note disclosures which have been provided in note 2.

b) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 January 2018 but not currently relevant to the Group or Company

The following new and amended Standards and Interpretations are not currently relevant to the Group or Company; however they may have a significant impact in future years:

- Annual improvements to IFRSs 2014-2017 cycle
- Amendments to IFRS 4: Applying IFRS 9 with IFRS 4
- Amendments to IAS 40: Transfers of investment property
- IFRIC 22 Foreign currency transactions and advance consideration

c) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2018

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 16 "Leases" will be effective for the year ending December 2019 onwards and the impact on the financial statements will be significant. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts. Therefore, the majority of the company's operating lease commitments (as shown in note 22 of the financial statements) would be brought onto the statement of financial position and amortised and depreciated

Notes to the Financial Statements (continued)

2.1 Basis of preparation (continued)

separately. There will be no impact on cash flows, although the presentation of the cash flow statement will change significantly. Management are currently working on the new processes and systems that will be required to comply with this accounting standard.

The directors are currently assessing the impact of all other new and amended Standards and Interpretations (which are in issue but not yet mandatorily effective) on the company's financial statements.

2.2 Going concern

At the year end the Company had made a total comprehensive loss for the year of £1,446,193. In assessing the Company's going concern status, the Directors have considered the trading results since the year end, the profit and loss forecast, the cash flow forecast, the equity fundraise secured post year end and are confident that the Company has adequate resources to be able to support growth, working capital commitments, regulatory capital requirements and to meet its obligations as they fall due for the foreseeable future.

Accordingly, the financial statements have been prepared on a going concern basis which the Directors consider appropriate in the circumstances.

2.3 Revenue recognition

Revenue represents interest and fees receivable from Lenders and borrowers for the arranging of finance.

The application of IFRS 15 has not led to a material change to the Company's revenue recognition policy.

Application fees

Fees are due from borrowers upon acceptance of loan offers. They are non-refundable and therefore recognised as revenue irrespective of whether the loan completes.

Product fees

Fees are due from borrowers and lenders at loan completion, which in most cases are added to the loan. They are recognised in full as revenue at loan completion.

Platform fees

The Company acts as the administrator of the loans and collects interest on behalf of the Lenders. Interest is receivable from borrowers throughout the term. Part of this interest is payable to the Company as a platform fee and recognised as revenue in the period due. The balance of interest is paid to the Lenders and is not recognised by the Company. The Company has no beneficial interest in or derives any other economic benefit from the loan. It does not bear any risk of loss other than the forgone platform fees.

2.4 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the company do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

The application of IFRS 9 has not led to a material change to the application of provision subsequent carrying value of trade and other receivables.

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

Notes to the Financial Statements (continued)

2.4 Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

2.5 Intangible Assets

An internally generated asset arising from the Company's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new systems);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated assets are amortised on a straight line basis over their expected useful lives as follows:

Software	3 years
----------	---------

The Company undertakes the development of software and, as such, capitalises the work performed in the course of the development projects. Directly attributable costs are capitalised in relation to the development of software and will be amortised over the useful life of the software once fully developed for its intended use.

2.6 Property, plant and equipment

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual value by equal annual instalments over their expected useful economic life as follows:

Computer equipment	3 years
Fixtures & fittings	3 years

2.7 Investments

The investment in the unlisted subsidiary undertaking is carried at cost less provision for impairment in value.

2.8 Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax. The current tax charge is based on the taxable profit or loss for the year. Taxable profit differs from net profit as reported in Statement of Profit or Loss and Other Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements (continued)

2.8 Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to Profit or Loss, except when it relates to items charged or credited directly to Other Comprehensive Income, in which case the deferred tax is also dealt with in Other Comprehensive Income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied.

2.9 Share based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the profit or loss account. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non-market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the Profit or Loss account, with a corresponding adjustment to equity.

The application of IFRS 2 has not led to a material change to the Company's share based payment transaction recognition policy.

2.10 Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the duration of the lease.

2.11 Research and development

Research expenditure is charged to the Profit or Loss account in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset is met. Other development expenditure is recognised in the Profit or Loss account as it is incurred.

2.12 Other income

Other income recognised in the comparative amounts in these accounts relates to a one off non-refundable fee for granting access rights to the Company's internally developed platform and code, subject to a licensing agreement. There is no defined term or expiry date. The Company retains full rights and ownership to the platform and software with no material restrictions or further obligations.

3. Financial risk management

The Company uses a limited number of financial instruments, comprising cash, short-term deposits, bank loans and overdrafts and various items such as trade receivables and payables, which arise directly from operations. The Company does not trade in financial instruments.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a) Credit risk

The Company has no significant concentrations of credit risk and has policies in place to ensure that sales are made to customers with an appropriate credit history.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. The Company ensures it has adequate cover through the availability of bank overdrafts and loan facilities with related parties.

Notes to the Financial Statements (continued)**3. Financial risk management (continued)***c) Cash flow risk*

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Total cash and cash equivalents held by the Company at 31 December 2018 was £189,872 (2017: £299,834).

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period. In the opinion of the Directors, key judgements include the expected useful life of intangible assets (see note 2.5) and the likelihood that share option vesting conditions will be met (see note 7).

5. Turnover

	2018 £	2017 £
Product, platform and application fees	4,377,288	994,495
Turnover	4,377,288	994,495

6. Employee benefit expenses

	2018 £	2017 £
Staff costs for the Company during the year		
Wages and salaries	2,493,792	1,505,200
Social security costs	291,146	175,256
Other pensions costs	145,951	87,648
	2,930,889	1,768,104

Average number of people (including executive directors) employed by the Company during the year was

	2018 Number	2017 Number
Operational and Risk	20	12
Technology	12	8
Sales and Marketing	8	4
Administration	3	3
	43	27

6a. Directors' emoluments

	2018 £	2017 £
Remuneration and other emoluments	344,412	366,353
	344,412	366,353

6b. Highest paid director

	2018 £	2017 £
Amounts included above:		
Emoluments and other benefits	149,036	126,002
	149,036	126,002

Notes to the Financial Statements (continued)

7. Share based payments

The Company has a HMRC approved share option scheme for certain employees. The options are only exercisable in the event of a sale or listing of the Company and will be settled in equity once exercised. Options are forfeited if an individual leaves the Company before the options vest and if the options remain unexercised after a period of 10 years from the date of grant, they will expire. Since no sale or listing of the Company is considered probable, no charge has been recognised for share based payments (2017: £Nil).

On 1 July 2016, warrants were granted to a shareholder at an exercise price of £0.01. The warrants were issued in relation to services provided under certain commercial agreements and are conditional on certain thresholds being achieved of introduced investments onto the Company's platform. The warrants are exercisable at any time on or after the vesting date. Any unexercised warrants will expire on 1 July 2021 or in the event of the commercial agreements being terminated prior to the expiry date, 90 days after the termination date.

The Company has no legal or constructive obligation to repurchase or settle the warrants in cash. In the opinion of the Directors the value of the corresponding share based payments charge for the year is immaterial and has not been recognised in the financial statements.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
	£		£	
At 1 January	26.63	32,713	16.70	34,000
Granted	128.20	1,840	91.30	4,750
Expired	66.99	(7,778)	55.90	(5,362)
Exercised	0.01	(170)	0.01	(675)
At 31 December	22.03	26,605	26.63	32,713

Out of the 26,605 (2017: 32,713) outstanding options, no options (2017: no options) were exercisable as at 31 December 2018.

Share options outstanding at year end have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price £	Share options	
			2018 Number	2017 Number
23 December 2015	23 December 2025	52.44	7,165	8,300
1 July 2016	1 July 2018	0.01	-	6,038
1 July 2016	1 July 2019	0.01	6,037	6,037
1 July 2016	1 July 2020	0.01	6,038	6,038
28 October 2016	28 October 2026	85.32	1,150	1,550
22 December 2017	22 December 2027	91.30	4,375	4,750
22 December 2018	22 December 2028	128.20	1,840	-
			26,605	32,713

Notes to the Financial Statements (continued)**8. Loss for the year before tax**

The loss for the year has been stated after charging the following:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Amortisation of intangible assets	354,430	233,629
Depreciation of property, plant and equipment	58,297	31,073
Auditor's remuneration	20,885	15,200
Auditor's remuneration – non audit:		
- other assurance related services	6,700	6,500
- accounts preparation	3,230	2,700
- tax compliance	2,925	2,750
- other tax services	-	5,500
Operating leases – land and buildings	87,988	99,926
Operating leases – other	73,332	53,334

9. Taxation

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current tax		
Current tax credit for the year	(338,826)	(222,407)
Tax credit on loss on ordinary activities	(338,826)	(222,407)

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 19% (2017: 19.25%) as follows:

Tax on loss on ordinary activities

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss on ordinary activities before tax	(1,785,019)	(2,074,425)
Tax on ordinary activities at standard rate of UK corporation tax of 19% (2017: 19.25%)	(339,154)	(399,327)
Effects of:		
- expenses not deductible for tax purposes	16,706	13,692
- income not taxable	(193,153)	-
- fixed assets differences	347,379	-
- adjustment to losses	(77,518)	-
- surrender of tax losses for R&D tax credit refund	105,153	72,805
- additional deduction for R&D expenditure	(250,945)	(166,859)
- adjustments in respect of previous periods	-	-
- adjust closing deferred tax to average rate of 19%	95,583	(98,889)
- adjust opening deferred tax to average rate of 19%	(88,036)	68,858
- deferred tax not recognised	45,159	227,251
Total tax credit	(338,826)	(222,407)

Notes to the Financial Statements (continued)**10. Deferred tax**

Deferred tax assets have not been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets as it is not deemed probable that these assets will meet the recognition criteria of IAS 39, given the uncertainty of profits being made in the foreseeable future against which the tax losses could be utilised.

A deferred tax asset of £808,820 (2017: £1,535,777) would have been recognised at year end based on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit

11. Intangible assets

Intangible assets at 31 December 2018 comprise:

	Capitalised development £	Software £	Total £
Cost			
At 1 January 2018	741,115	700,886	1,442,001
Additions	1,077,120	7,654	1,084,774
Disposals	-	-	-
Reclassification	(741,115)	741,115	-
At 31 December 2018	1,077,120	1,449,655	2,526,775
Amortisation			
At 1 January 2018	-	(267,967)	(267,967)
Amortisation charged in the year	-	(355,430)	(355,430)
At 31 December 2018	-	(623,397)	(623,397)
Net book amount			
At 31 December 2018	1,077,120	826,258	1,903,378
At 31 December 2017	741,115	432,919	1,174,034

During 2017 the second phase development of the internal platform and broker systems were initiated. This phase was completed and ready for use on 1 June 2018 and is now being amortised over its estimated useful life.

At the balance sheet date, costs of £963,419 and £61,025 had been capitalised but since both systems are still in the development phase (the third development phase), no amortisation has been charged.

Notes to the Financial Statements (continued)**12. Property, plant and equipment**

Property, plant and equipment at 31 December 2018 comprise:

	Computer equipment £	Fixtures & fittings £	Total £
Cost			
At 1 January 2018	45,255	59,366	104,621
Additions	97,074	105,009	202,083
Disposals	(2,759)	(59,366)	(62,125)
At 31 December 2018	<u>139,570</u>	<u>105,009</u>	<u>244,579</u>
Depreciation			
At 1 January 2018	(29,710)	(49,198)	(78,908)
On disposals	362	58,258	58,620
Charge for year	(22,098)	(36,199)	(58,297)
At 31 December 2018	<u>(51,446)</u>	<u>(27,139)</u>	<u>(78,585)</u>
Net book amount			
At 31 December 2018	<u>88,124</u>	<u>77,870</u>	<u>165,994</u>
At 31 December 2017	<u>15,545</u>	<u>10,168</u>	<u>25,713</u>

13. Investments

	31 December 2018 £	31 December 2017 £
Investments in subsidiary	<u>1,000</u>	<u>1,000</u>

On 12 July 2016 the Company incorporated Landbay Asset Management Limited (formerly Landlock Limited) with 1,000 £1 Ordinary shares.

Subsidiary undertakings

At 31 December 2018 the Company's subsidiary undertaking was as follows:

Company	Landbay Asset Management Limited
Principal place of business and country of incorporation	UK
Registered Address	7th Floor 60 Buckingham Palace Road London SW1W 0AH
Ownership	100%

Landbay Asset Management Limited has not traded in the year to 31 December 2018. Net asset as at 31 December 2018 and 31 December 2017 amounted to £5,226.

Notes to the Financial Statements (continued)**14. Trade and other receivables**

	31 December 2018 £	31 December 2017 £
Amounts due in less than one year:		
Trade receivables	124,312	-
Other receivables	39,676	80,653
Prepayments and accrued income	284,732	161,543
Corporation tax repayment	338,826	222,407
	<u>787,546</u>	<u>464,603</u>
Amounts due in more than one year:		
Other receivables	<u>128,535</u>	<u>-</u>

The Directors do not consider any impairment provision is necessary against the above assets and consider that the carrying amount of the Company's receivables is a reasonable approximation of their fair value.

15. Cash and cash equivalents

	31 December 2018 £	31 December 2017 £
Cash at bank and on hand	<u>189,872</u>	<u>299,834</u>

Client money

The Company holds money on behalf of some clients in accordance with the Client Money rules of the Financial Conduct Authority. Such monies and the corresponding amounts due to clients are not shown on the face of the Statement of Financial Position as the Company is not beneficially entitled thereto. Money held on behalf of clients at the end of the financial year amounted to £4,757,387 (2017: £1,270,994).

16. Share capital

	2018 Number	2018 £	2017 Number	2017 £
Ordinary shares of £0.01 each				
Allotted and fully paid:				
At 31 December	<u>192,097</u>	<u>1,919</u>	<u>171,921</u>	<u>1,719</u>

Notes to the Financial Statements (continued)**17. Share premium**

	2018 Number	2018 £	2017 Number	2017 £
Ordinary shares of £0.01 each				
Share premium:				
At 31 December	192,097	9,494,834	171,921	6,946,681

The Share premium account is used to record the aggregate amount or value of premiums paid above nominal value when the Company's shares are issued at a premium.

In March 2018, 4,134 shares were issued for consideration of £529,979. No transaction costs were incurred on the issue of these shares.

In April 2018, 4,952 shares were issued for consideration of £618,428. Transaction costs, specifically relating to the issue of new shares, of £16,422 were incurred and deducted from equity.

In May 2018, 1,170 shares were issued for consideration of £149,996. No transaction costs were incurred on the issue of these shares.

In September 2018, 9,750 shares were issued for consideration of £749,970. No transaction costs were incurred on the issue of these shares.

18. Deferred consideration reserve

	2018 £	2017 £
At 1 January	834,966	760,000
Shares issued	(499,980)	(1,786,878)
Amounts deposited	250,000	1,861,844
Amounts cancelled	(265,000)	-
At 31 December	319,986	834,966

This Deferred consideration reserve is used to record equity funding received in consideration for shares to be issued at a future date to one of the existing shareholders who is also a director of the Company.

When shares are subsequently issued, a transfer is made to share capital and share premium reserves accordingly.

Amounts cancelled in the year relate to deferred consideration cancelled because the subscriber for the shares was allotted less shares than their full application.

19. Reserves

	31 December 2018 £	31 December 2017 £
Retained earnings		
Balance brought forward	(6,309,490)	(4,457,472)
Total comprehensive loss for the period	(1,446,193)	(1,852,018)
Balance carried forward	(7,755,683)	(6,309,490)

Retained earnings are the accumulated, undistributed profits and losses of the Company that have been recognised through the Statement of Profit and Loss and Other Comprehensive Income.

Notes to the Financial Statements (continued)**20. Trade and other payables**

	31 December 2018 £	31 December 2017 £
Trade payables	546,253	213,040
Other taxes and social security	234,120	61,900
Accruals and other payables	274,979	156,451
	<u>1,055,352</u>	<u>431,391</u>

All trade and other payables are denominated in UK Sterling.

The Directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

21. Notes to the cash flow statement

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash used in operations		
Operating loss for the year	(1,785,019)	(2,074,425)
Adjustments for:		
- Depreciation	58,297	31,073
- Amortisation	355,430	233,629
Changes in working capital		
- Increase in trade and other receivables	(335,059)	(77,852)
- Increase/(Decrease) in trade and other payables	623,961	103,544
Net cash used in operating activities	<u>(1,082,390)</u>	<u>(1,723,539)</u>

22. Operating lease commitments

At 31 December 2018 the Company has lease agreements in respect of property and licensing agreements.

	31 December 2018 £	31 December 2017 £
Future minimum lease payments under non-cancellable operating leases:		
Within one year	22,000	118,891
Between 2 and 5 years	571,893	22,000
	<u>593,893</u>	<u>140,891</u>

23. Related parties**Transactions with related parties during the year**

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. In the opinion of the Board, the Company's key management comprises the Directors and information regarding their emoluments stated in accordance with IFRS is set out in Note 6a.

The Company received a payment of £250,000 (2017: £550,000) from a director in consideration for shares to be issued at a future date. The company cancelled shares to be issued at a future date to a director amounting to £265,000.

Notes to the Financial Statements (continued)

23. Related parties (continued)

As the share issues in the year were oversubscribed, the director was not allotted the full complement of shares they applied for, as such £265,000 was returned to them in cash.

The Company provided management services totalling £nil (2017: £1,518) to Landbay Asset Management Limited, a wholly owned subsidiary of the Company. As at 31 December 2018, Landbay Asset Management Limited owed £3,739 (2017: £3,739) to the Company.

During the year a related party by virtue of common directorship acted as a loan servicer for the company. Fees charged for providing these services amounted to £196,878 (2017: Nil). As at 31 December 2018 the company owed amounts to the related party totalling £52,251 (2017: Nil).

24. Financial instruments

The Company's financial instruments comprise cash and cash equivalents and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

The Company's operations expose it to a variety of financial risks including market, interest rate and liquidity risks. The management of these risks is vested in the Board.

Market risk

The most significant areas of market risk to which the Company is exposed are changes in the residential housing market and private rental market.

Interest rate risk

The Company is exposed to interest rate risk to the extent that changes to interest rates could offer alternative options for lenders to deposit their funds therefore impacting funding for mortgage lending.

Liquidity risk

The Company seeks to manage liquidity risk to ensure that sufficient liquidity is available to meet foreseeable needs. The Company deems there is sufficient liquidity for the foreseeable future.

Trading assets and liabilities have not been analysed by contractual maturity because trading assets and liabilities are typically held for short periods of time.

The Company had cash and cash equivalents at 31 December 2018 as set out on the Statement of financial position.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide optimal returns for the shareholders. The Company defines capital as being share capital, deferred consideration reserve, share premium and retained earnings. Capital amounts to £2,061,056 at 31 December 2018 (2017: £1,473,876).

The adequacy of the Company's financial resources position is managed and monitored in accordance with the FCA rules. The Company must at all times meet the relevant minimum financial resource requirements. The Company is required to maintain a prescribed excess of total financial resources over its financial resource requirements.

25. Ultimate controlling party

In the opinion of the Directors there is no ultimate controlling party of Landbay Partners Limited. The day to day management of the Company is controlled by the Board of Directors.

Notes to the Financial Statements (continued)

26. Post balance sheet event

In April 2019 the Company closed a further equity funding round with commitments of £2,197,421.

27. Adoption of IFRS 9 and IFRS 15

IFRS 9 "Financial instruments", IFRS 15 "Revenue from contracts with customers" were adopted with effect from 1 January 2018 in line with the transitional provisions provided in the new standards. The changes in accounting policy have been described in note 2. The standards have been adopted using the modified retrospective approach where the prior period amounts have not been restated but any difference between amounts recognised under IFRS 9 and IFRS 15 and those previously recognised under IAS 39, IAS 11 and IAS 18 has been recognised in the opening retained earnings at 1 January 2018.

The adoption of IFRS 9 and IFRS 15 has not had a material impact on the financial statements.