TITAN NO.1 LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

REGISTERED NUMBER: 11606921

FOR THE YEAR ENDED 31 MARCH 2023

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COMPANY INFORMATION

Directors

L.D.C. Securitisation Director No. 1 Limited
L.D.C. Securitisation Director No. 2 Limited
M.H. Filer

Secretary
Law Debenture Corporate Services Limited

Registered Office
8th Floor
100 Bishopsgate
London EC2N 4AG

Registered Number
11606921

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their strategic report for Titan No.1 Ltd (the "Company") for the year ended 31 March 2023.

General company information
The Company was incorporated in England and Wales on 5 October 2018 as a private limited company with the registered number of 11606921.

Principal activities and review of business
The principal activity of the Company is to act as a warehousing vehicle for residential buy-to-let and bridging (the "mortgage loans").

On 4 March 2019, the Company entered into a transaction to allow it to finance and acquire the mortgage loans originated by LendInvest Loans Limited and LendInvest Bridge Limited (the "sellers" or "servicers") which are wholly owned by LendInvest plc. The finance obtained is limited recourse in nature and repayment is restricted to the income received by the Company on the underlying mortgage loans acquired and is secured against the assets of the Company with HSBC Corporate Trustee Company (UK) Limited acting as Security Trustee. All payments made by the Company are subject to a payment waterfall as set out in the documents underlying the transaction. HSBC Bank plc act as the facility agent and cash manager under the transaction documents.

As part of the transaction the Company has entered into a servicing agreement with LendInvest BTL Limited LendInvest Development Limited, LendInvest Loans Limited and LendInvest Bridge Limited (the "Servicers") to service and administer the underlying mortgage loans for which they receive a servicing fee.
The Company has also entered into a subordinated loan agreement with LendInvest plc to provide the Company with a secured revolving facility. Repayment is subject to the payment waterfall as set out in the transaction documents.

Legal ownership of the mortgage loans acquired under the transaction fails the recognition criteria of IFRS9: "Financial Instruments", because the sellers retain all the risks and rewards of ownership by being entitled to any residual cash flows after payment of all other expenses under the transaction documents. Accordingly, the beneficial interest in the mortgage loans is recognised as a deemed loan in the Company's financial statements and the mortgage loans remain on the balance sheet of the sellers.

On 13 February 2023 the Company increased the facility limit on subordinated loan to £27.5m from £25.0m.

Performance in the year
The Company generated a profit of £1k (2022: £1k) for the year. Please see Key Performance Indicators section below for more details.

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

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk.

Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's deemed loan, receivables and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is set out in Note 2 to the financial statements.

The major asset of the Company is the deemed loan to the sellers. The recoverability of the deemed loan is linked to the performance of the mortgage loans and therefore, the directors assess the performance of the mortgage loans for credit risk.

The Company has appointed the Servicers to service the mortgage loans underlying the deemed loan. They manage the Company's exposure to credit losses by assessing a borrowers' ability to repay the mortgage loans, the borrower's risk profile, and their stability during the underwriting process. Impairments are monitored and provided for using various techniques.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Company's position. All payments made by the Company are made in strict order using a payment waterfall set out in the transaction documents and the funding raised by the Company is limited recourse in nature which means that it is only obliged to pay amounts falling due to the extent that it has received income from the mortgage loans underlying the deemed loan. A key component of liquidity risk is funding for the purposes of long term lending. Once the facilities are utilised or the term is reached, the mortgage loans will be refinanced through a securitisation.

The Company's contractual undiscounted cash flows of its financial assets and liabilities is set out in Note 2 to the financial statements.

Interest rate risk management

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times.

Interest paid on the Company's loan facilities is at a floating rate whilst interest received on the underlying mortgage loans is at fixed rates. The Company manages risk by matching interest rates for assets and liabilities.

Key performance indicators (KPIs)

The Company uses key performance indicators to track progress against its plans. The recoverability of the Company's deemed loan is linked to the performance of the underlying mortgage loans and therefore the net interest income and performance of the underlying mortgage loans are key performance indicators. The Company monitors the monthly servicer reports that contain a range of data on the performance of the mortgage loans portfolio including payment arrears, Loan to Value percentages and restructured mortgages.

The Company generated a profit of £1k (2022: £1k) for the year. This is the contractual borrower profit as defined by the original transaction documentation. The Company achieved a net interest income of £801k (2022: £2,397k). Please see note 9 regarding the performance of the underlying mortgage loans.

Future outlook

The Company will continue to acquire mortgage loans until the finance facilities have been fully utilised or the loan facility term has been reached at which point the Company might look to refinance the mortgage loans portfolio.

By order of the Board

Graham Bonney
for and on behalf of L.D.C. Securitisation Director No.1 Limited
Director
27 March 2024

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2023.

Future outlook
See strategic report.

Principal risks and uncertainties
See strategic report.

Going concern
On the basis of their assessment of the Company's financial position and that of its ultimate controlling party, LendInvest plc, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Further information supporting the going concern basis may be found in note 1 of the financial statements.

The impact of the events in Ukraine and the resultant cost of living crises has been assessed at a LendInvest Group level and several financial plans have been prepared for the forthcoming year across a range of potential scenarios. The directors have reviewed these plans and consider the Company to have sufficient resources to continue its activities for 12 months from the report signing date, including against the most severe but plausible outcome and do not consider there to be any material uncertainty.

Therefore, the directors consider that the Company is able to meet its liabilities as they fall due and accordingly, the financial statements have been prepared on a going concern basis.

Results and dividends
The profit for the year ended 31 March 2023 amounted to £1k (2022: £1k). The Company paid no dividends during the year (2022: Nil) and the directors do not recommend a final dividend (2022: £nil).

Political and charitable donations
The Company did not make any political or charitable donations during the year (2022: £nil).

Directors
The directors of the Company who were in office during the year and for the period up to the date of signing the financial statements were:

Mark Filer
L.D.C. Securitisation Director No.1 Limited
L.D.C. Securitisation Director No.2 Limited

None of the directors who held office during the year and up to the date of this report held any beneficial interest in the share capital of the company and nor did they have any material contract or arrangement with the Company.

The Company has no employees (2022: nil).

Directors' indemnities
The directors are provided by Law Debenture Corporate Services Limited under a Corporate Services Agreement which contains certain indemnities for the directors which were in place during the year and remain in force at the date of this report. Law Debenture Corporate Services Limited maintains its own insurance for the services it provides.

Directors' Report (continued)

FOR THE YEAR ENDED 31 MARCH 2023

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Signed on behalf of the board:

Graham Bonney

for and on behalf of L.D.C. Securitisation Director No.1 Limited
Director
27 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2023

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 whether they have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 - Reduced Disclosure Framework; subject to any material departures disclosed and explained in the financial statements; and
- prepare Company financial statements on the 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's and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TITAN NO.1 LTD

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Titan No.1 Ltd ("the Company") for the year ended 31 March 2023 which comprise The Statement of comprehensive income, The Statement of financial position, The Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TITAN NO.1 LTD (CONTINUED)

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

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

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

Non-compliance with laws and regulations
Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management;
-

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TITAN NO.1 LTD (CONTINUED)

- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be the applicable accounting framework and UK tax legislation.

Fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures which are adopted from the LendInvest Group policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Considering manual elements of the control environment such as manual journal entries.

Based on our risk assessment, we considered the area's most susceptible to fraud to be manual elements of the control environment.

Our procedures in respect of the above included testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ariel Grosberg
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Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
27 March 2024

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £ '000	2022 £ '000
Finance income	5	**11,644**	8,024
Finance expense	6	**(10,843)**	(5,627)
Net finance profit		**801**	2,397
Administrative expenses		**(396)**	(2,384)
Expected credit loss	9	**(404)**	(12)
Profit from operations and before tax		**1**	1
Tax charge		**-**	-
Profit for the year		**1**	1
Other comprehensive income:			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive profit for the year		**1**	1

The above amounts relate exclusively to continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

TITAN NO.1 LTD **REGISTERED NUMBER: 11606921**

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023 £ '000	2022 £ '000
ASSETS			
Cash and cash equivalents		**5,684**	6,113
Trade and other receivables	10	**1,406**	2,960
Deemed loan	9	**225,568**	56,359
TOTAL ASSETS		**232,658**	65,432
LIABILITIES			
Interest bearing liabilities	12	**231,424**	64,722
Trade and other payables	11	**1,228**	705
TOTAL LIABILTIES		**232,652**	65,427
NET ASSETS		**6**	5
EQUITY			
Called up share capital	14	**-**	-
Retained earnings		**6**	5
TOTAL EQUITY		**6**	5

The notes on pages 15 to 27 form part of these financial statements.

Approved and authorised for issue by the directors on 27 March 2024 and signed on the Company's behalf by:

Graham Bonney

for and on behalf of L.D.C. Securitisation Director No.1 Limited
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share Capital	Retained Earnings	Total
	£000	£000	£000
Balance as at 31 March 2021	-	4	4
Total comprehensive income	-	1	1
Balance as at 31 March 2022	-	5	5
Total comprehensive income	-	1	1
Balance as at 31 March 2023	-	6	6

The notes on pages 15 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

Titan No. 1 Ltd was incorporated on 5 October 2018 in the United Kingdom under the Companies Act 2006. The address of its registered office is given on page 2.

The Company is a special purpose company established to act as a warehousing vehicle to acquire mortgage loans and to procure financing for this activity.

Disclosure exemptions adopted

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

- a statement of cash flows and related notes;
- disclosure of key management personnel compensation;
- the effect of future accounting standards not adopted; and
- fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value).

Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated. The financial statements are presented in Sterling (£), which is the Company's functional currency.

Basis of accounting

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

The Company is a wholly owned subsidiary of LendInvest plc and is included in its consolidated financial statements which are publicly available, this is disclosed in note 16.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Going concern

On the basis of their assessment of the Company's financial position and that of its ultimate controlling party, LendInvest plc, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

The impact of the events in Ukraine and the resultant cost of living crises has been assessed at a LendInvest Group level and several financial plans have been prepared for the forthcoming year across a range of potential scenarios. The directors have reviewed these plans and consider the Company to have sufficient resources to continue its activities for 12 months from the report signing date, including against the most severe but plausible outcome and do not consider there to be any material uncertainty.

Therefore, the directors consider that the Company is able to meet its liabilities as they fall due and accordingly, the financial statements have been prepared on a going concern basis.

Finance income

Finance income represents interest and other income on the deemed loan. Finance income is accounted for under IFRS 9 on an effective interest rate ("EIR") basis, inclusive of directly attributable incremental transaction costs and fees including arrangement and broker fees, valuation and solicitor costs, discounts and premiums where appropriate. The EIR basis spreads the interest income over the expected life of each instrument. The EIR is the rate that, at the inception of the instrument, exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the instrument (for example, prepayment options) but does not consider assets' future credit losses. All revenue recorded in the financial statements is generated in the UK and sourced from transactions relating to underlying mortgage loans.

Finance expense

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

Administration expenses

Administration expenses are recognised in the statement of comprehensive income on an accrual basis.

Taxation

The Company is within the permanent regime for taxation of securitisation companies, under which they are taxed by reference to their contractually retained profits (to the extent that they are realised). Taxable profits under the permanent regime will normally equal the contractual profit as defined by the original transaction documentation, being £1k for the year ended 31 March 2023. Consequently, neither current tax nor deferred tax will be affected by any fair value gains or losses arising on financial instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments

(i) Classification and measurement

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets
IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as Solely Payment of Principal and Interest ("SPPI") and the nature of the underlying financial asset and the business model under which it is being held. Financial assets that fail the SPPI test are measured at fair value through the income statement net of any expected credit losses.

The impairment requirements are applied by reference to the credit quality at initial recognition and borrower repayment timeliness.

Deemed loans
Legal ownership of the residential mortgage loan acquired under the transaction fails the recognition criteria of IFRS9: "Financial Instruments", because the sellers retain all the risks and rewards of ownership by being entitled to any residual cash flows after payment of all other expenses under the transaction documents. Accordingly, the beneficial interest in the mortgages is recognised as a deemed loan in the Company's financial statements and the mortgages remain on the balance sheet of the LendInvest Group.

The deemed loans are classified as financial assets measured at amortised cost in accordance with IFRS 9 because their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI). The Company's business model with regards the deemed loans is to hold them to collect their contractual cash flows, rather than selling them to generate cash flows.

The deemed loans initially represent the consideration paid by the Company in respect of the acquisition of the legal ownership of the mortgage loans. They are subsequently adjusted for repayments made by the Sellers to the Company. The deemed loans are measured at amortised cost using the effective interest rate ("EIR") less any provision where the loans are considered to be impaired.

Financial liabilities

Financial liabilities included in trade and other payables and interest bearing liabilities are recognised initially at fair value and subsequently at amortised cost. The fair value of a non- interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

(i) Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has substantially transferred all risks and rewards of ownership. If substantially all risks and rewards have been neither retained nor transferred the assets continue to be recognised to the extent of the Company's continuing involvement. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2. Financial risk management

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

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk.

Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's deemed loan and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is as follows:

	2023	2022
Assets	**£ '000**	£ '000 (Restated)
Deemed loan	**225,568**	56,359
Cash and cash equivalents	**5,684**	6,113
Trade and other receivables	**1,406**	2,960
	233,658	65,432

The major asset of the Company is the deemed loan to the sellers. The recoverability of the deemed loan is linked to the performance of the underlying mortgage loans and therefore, the directors assess the performance of the mortgage loans for credit risk.

The Company has appointed Servicers to service the mortgage loans underlying the deemed loan. They manage the Company's exposure to credit losses by assessing a borrowers' ability to repay the mortgage loans, the borrower's risk profile, and their stability during the underwriting process. Impairments are monitored and provided for using statistical modelling.

The fair value of cash and cash equivalents at 31 March 2023 approximates the carrying value. Credit risk relating to cash and cash equivalents is mitigated as cash and cash equivalents are held with suitably rated counterparties.

2. Financial risk management (continued)

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Company's position. All payments made by the Company are made in strict order using a payment waterfall set out in the transaction documents and the funding raised by the Company is limited recourse in nature which means that it is only obliged to pay amounts falling due to the extent that it has received income from the mortgages underlying the deemed loan

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

	Carrying amount	Gross nominal inflow/ (outflow)	Amount due within one year	Amount due between one and five years
2023	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Financial assets				
Deemed loan	225,568	237,101	234,481	2,620
Trade and other receivables	1,406	1,406	1,406	-
Cash and cash equivalents	5,684	5,684	5,684	-
	232,658	**244,191**	**241,571**	**2,620**
Financial liabilities				
Interest bearing liabilities	(231,424)	(235,009)	(235,009)	-
Trade and other payables	(1,228)	(1,228)	(1,228)	-
	(232,652)	**(236,237)**	**(236,237)**	-
2022				
Financial assets				
Deemed loan	56,359	57,957	57,142	815
Trade and other receivables	2,960	2,960	2,960	-
Cash and cash equivalents	6,113	6,113	6,113	-
	65,432	67,030	66,215	815
Financial liabilities				
Interest bearing liabilities	(64,722)	(70,061)	(4,155)	(65,906)
Trade and other payables	(705)	(705)	(705)	-
	(65,427)	(70,766)	(4,860)	(65,906)

2. Financial risk management (continued)

Interest rate risk management

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times.

Interest paid on the Company's loan facilities is at a floating rate whilst interest received on the mortgages underlying the deemed loan are at fixed. The Company manages risk by matching interest rates for assets and liabilities.

3. Critical judgements in applying the company's accounting policies

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

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

Loan provisioning

The Company provides for the expected credit losses in accordance with IFRS 9.

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

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

The central scenario represents management's current view of the most likely economic outturn. However, significant uncertainty around the level and trajectory of UK inflation and the subsequent impacts on the wider economy has led management to increase the downside weighting since the prior year ended 31 March 2022. The following weightings of the different scenarios were used across short term ECL models for the period ended 31 March 2023:

- 40%/40%/20% to the central, downside and upside scenarios.

The former weightings used at 31 March 2022 were:

- 45%/ 50%/5% to the central, downside and upside scenarios.

4. Segmental analysis

The Directors consider that the Company has one operating segment due to the similarity of risks faced in relation to the investment of the funding raised in the underlying mortgage loans and therefore is not required to produce additional segmental disclosure.

5. Finance income

	2023 £ '000	2022 £ '000
Interest on deemed loan	11,533	8,023
Bank Interest	111	1
	11,644	8,024

6. Finance expense

	2023 £ '000	2022 £ '000
Interest on loan facilities	10,022	4,347
Commitment fee	477	624
Loan issue costs	344	656
	10,843	5,627

7. Profit from operations

Audit fees of £11,000 (2022: £5,000) were paid by the Company's ultimate parent Company, LendInvest plc. The Company employed no employees during the year (2022: none).

8. Taxation

	2023 £ '000	2022 £ '000
Tax expense	-	-
Current tax	-	-
Total tax charge	-	-

Factors affecting the tax charge for the current period

	2023 £ '000	2022 £ '000
Profit on ordinary activities before tax	1	1
Current tax charge at 19%	-	-
Effects of:		
Accounting loss not taxed in accordance with SI 2006/3296	-	-
Loan issue costs	-	-
Borrower profit taxed in accordance with SI 2006/3296	-	-

The charge above has been calculated in accordance with the permanent regime for taxation of securitisation companies.

Factors that may affect future tax charges

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

9. Deemed loan

	2023	2022
	£ '000	£ '000
Deemed loan	**226,633**	57,020
ECL provision	**(1,065)**	(661)
	225,568	56,359

The company has provided security to its loan facility providers by granting charges over its rights to receive principal and interest on the mortgages underlying the deemed loan. The interest on the deemed loan is linked to the interest on the underlying mortgage portfolios which contain fixed rate loans.

Reconciliation of ECL provision	**2023**	2022
	£ '000	£ '000
At the start of the period	**(661)**	(649)
Provisions made during the year	**(406)**	(12)
Utilised in the year	**(2)**	-
Under IFRS 9 at 31 March 2023	**(1,069)**	(661)

Analysis of loans and advances by stage

	Stage 1 **£'000**	**Stage 2** **£'000**	**Stage 3** **£'000**	**Total** **£'000**	**2022** **£'000**
Gross deemed loan	170,023	50,026	6,584	226,633	57,020
ECL	(130)	(101)	(834)	(1,065)	(661)
Deemed loan	**169,893**	**49,925**	**5,750**	**225,568**	**56,359**

9. Deemed loan (continued)

Movement analysis of loans by stage

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	2022 £'000
As at 1 April 2022	**26,641**	**24,426**	**5,292**	**56,359**	126,230
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(3,481)	3,481	-	-	-
Transfer to stage 3	(126)	(2,596)	2,723	1	-
New financial assets originated	203,628	-	-	203,628	37,394
New financial assets originated and transferred to stage 2 & stage 3	(35,015)	33,772	1,242	(1)	-
Financial assets which have repaid	(20,884)	(21,358)	(3,654)	(45,896)	(94,993)
Balance movements in loans	(870)	12,200	147	11,477	(12,272)
Total movement in loans	**143,252**	**25,499**	**458**	**169,209**	(69,871)
As at 31 March 2023	**169,893**	**49,925**	**5,750**	**225,568**	56,359

Movement analysis of ECL by stage

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	2022 £'000
As at 1 April 2022	**6**	**6**	**649**	**661**	649
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(1)	1	-	-	-
Transfer to stage 3	-	-	-	-	-
New financial assets originated	174	-	-	174	7
New financial assets originated and transferred to stage 2 & stage 3	(45)	32	13	-	-
Financial assets which have repaid	(4)	(6)	(331)	(341)	(228)
Changes in models/risk parameters	-	68	(1,161)	(1,093)	281
Adjsutment for interest on impaired loans	-	-	1,666	1,666	46
Write offs	-	-	(2)	(2)	(94)
Total movement in ECL	**124**	**95**	**185**	**404**	12
As at 31 March 2023	**130**	**101**	**834**	**1,065**	661

9. Deemed loan (continued)

The tables below provides information on the Company's loans and advances by stage and risk grade. At 31 March 2022, the risk grades that determined probability of default ranged from 1 to 18. In the year to 31 March 2023, the underlying methodology has been changed to better align loss forecasting with portfolio risk. A 10-point risk grading has been implemented with comparative figures for 31 March 2022 included in the tables below.

As at 31 March 2023

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	2022 £'000
Risk Grades 1 - 5	170,023	45,108	-	**215,131**	**49,937**
Risk Grades 6 – 9	-	4,918	-	**4,918**	**1,142**
Default	-	-	6,584	**6,584**	**5,941**
Total	**170,023**	**50,026**	**6,584**	**226,633**	**57,020**

As at 31 March 2022

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	2021 £'000
Risk Grades 1 - 5	26,262	23,675	-	**49,937**	**124,013**
Risk Grades 6 – 9	385	757	-	**1,142**	-
Default	-	-	5,941	**5,941**	**2,866**
Total	**26,647**	**24,432**	**5,941**	**57,020**	**126,879**

10. Trade and other receivables

	2023 £ '000	2022 £ '000
Amounts owed from related parties	**1,403**	2,960
Other debtors	**3**	-
	1,406	2,960

11. Trade and other payables

	2023	2022
	£ '000	£ '000
Amounts owed to related parties	**577**	483
Accruals	**529**	109
Trade and other payables	**122**	113
	1,228	705

12. Interest bearing liabilities

	2023	2022
	£ '000	£ '000
Interest bearing liabilities due after one year but less than five years	-	64,722
Interest bearing liabilities due within one year	231,424	
	231.424	**64,722**

Interest is payable on the 15th day of each month. The facilities are secured on the mortgage loans underlying the deemed loan and any other collateral security relating to those mortgage loans.

The finance obtained is limited recourse in nature and repayment is restricted to the income received by the Company on the underlying residential mortgage loans acquired and is subject to a payment waterfall under the transaction documents.

13. Financial Instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are: the deemed loan, cash and cash equivalents, receivables, interest bearing liabilities and trade and other payables.

(a) Carrying amount of financial instruments

A summary of the financial instruments held is provided below:

	2023	2022
	£ '000	£ '000
Financial asset: amortised cost		
Deemed loan	**225,568**	56,359
Trade and other receivables	**1,406**	2,960
Cash and cash equivalents	**5,684**	6,113
	232,658	65,432
Financial liabilities at amortised cost		
Interest bearing liabilities	**231,424**	64,722
Trade and other payables	**1,228**	705
	232,652	65,427

14. Share capital

	31 March 2023	31 March 2022
	£	£
Issued 1 ordinary Share of £1 each – fully paid	1	1

15. Related party transactions

Law Debenture Corporate Services Limited ("Law Deb") charges a management fee for the provision of a range of services including provision of the directors (Mark Filer, L.D.C. Securitisation Director No. 1 Limited and L.D.C. Securitisation Director No. 2 Limited).

LendInvest Plc is the ultimate controlling party of the Company. LendInvest Bridge Limited and LendInvest Loans Limited are the originators and servicers of the underlying mortgage loans.

The related party transactions between the Company and its related parties are summarised below:

		2023	2022
Statement of comprehensive income	**Related Party**	**£ '000**	£ '000
Interest on deemed loan	LendInvest Bridge Limited	**11,533**	8,023
Interest Expense	Lendinvest plc	**(3,299)**	(1,774)
Interest Expense	Lendinvest Finance No.4 Limited	**(1,357)**	(708)
Admin expenses	Lendinvest plc	**(148)**	(2,129)
Loan Service fee	LendInvest Loan Holdings Limited	**(242)**	(153)
Corporate service fee	Law Deb	**(15)**	(15)
Statement of financial position			
Deemed loan	LendInvest Bridge Limited	**225,568**	56,359
Mezzanine Facility	Lendinvest Finance No.4 Limited	**(21,574)**	(4,945)
Subordinated Loan	Lendinvest plc	**(26,863)**	(18,176)
Amounts owed to related parties	Lendinvest plc	**160**	2,961
Amounts owed to related parties	Lendinvest Finance No.4 Limited	**(577)**	(483)
Amounts owed by related parties	Lendinvest Bridge Limited	**(15)**	(4)

16. *Ultimate controlling party*

The entire issued share capital of the Company is held by The Law Debenture Intermediary Corporation plc, as share trustee, under a declaration of trust for discretionary charitable purposes.

In the opinion of the directors, LendInvest Loans Holdings Limited is the controlling party of the Company and LendInvest plc is the ultimate controlling party of the Company. As such, the results of the Company are included in the consolidated financial statements of LendInvest Group. Copies of these can be obtained from LendInvest plc, 8 Mortimer Street, London, England, W1T 3JJ.

17. Events after the reporting date

On 9 May 2023 the Company entered into a deed of amendment to add a new senior lender and increase the total commitment amount to £300m. Amendments were also made to the portfolio covenants and concentration limits.