Strategic Report, Report of the Director and

Financial Statements

for the Year Ended 31 December 2017

for

Lendy Ltd

Lendy Ltd

Contents of the Financial Statements for the Year Ended 31 December 2017

Lendy Ltd

Company Information
for the Year Ended 31 December 2017

DIRECTOR:	Mr L J Brooke Mr T A Gordon (resigned 26 July 2018)
REGISTERED OFFICE:	Branksmere House Queens Crescent Southsea Hampshire PO5 3HT
REGISTERED NUMBER:	08244913 (England and Wales)
SENIOR STATUTORY AUDITOR:	Kelly Sheppard
AUDITORS:	Moore Stephens LLP (Statutory Auditor) 150 Aldersgate Street London EC1A 4AB

Lendy Ltd

Strategic Report
for the Year Ended 31 December 2017

The director presents his strategic report for the year ended 31 December 2017.

REVIEW OF BUSINESS

During the year the company continued to see strong growth across its business, with significant increases in the size of its loan book, client numbers, and the amount of interest paid to lenders.

Despite increased competition in the sector, which saw some challenger banks under-cutting lending rates, the business experienced rising demand from investors and borrowers. This meant the company had a healthy pipeline of high quality opportunities to choose from, and the capacity to deliver on its deals.

The company's aim is to continue to help its investors generate impressive returns from a range of projects, while protecting their capital and improving the company's service offering to borrowers.

2017 was a year of change, with an uncertain UK and global economy, but the UK P2P sector is now being seen as a mainstream lender, and an important contributor to the health of the UK economy, with cumulative lending transacted through P2P platforms now far in excess of £8 billion.

Lendy Ltd finished the year having undergone a major rebrand, with lending and borrowing at record levels, a higher profile as a result of marketing and sponsorship activities such as Lendy Cowes Week, and an enhanced business, with greater controls, governance and client protection.

Our aim has been to continue to build a platform that places our customers at its heart. We believe the improvements we made last year are now delivering real benefits to our clients.

Our balance sheet is now more robust, and our growth has been closely controlled. We've also experienced growth in every area of the business. All of that has made us one of the few profitable P2P platforms in the market today.

On 3rd January 2017 ownership of the shares were transferred to Lendy Group Limited, a company incorporated in England and Wales.

Activity, purpose and objectives

The principle activity of the company throughout the year was peer to peer lending, facilitating loans between lenders and borrowers in respect of property transactions. The company's aim is to deliver a platform that is easy to use.

The company's objectives are:

- to provide a high level of customer service
- to provide borrowers with access to affordable finance
- to give investors access to a new way of investing

The company aims to manage its risks well to ensure long term growth and to be well regarded in its sector.

The lenders are a mixture of private individuals and corporate clients.

The company operated in the following markets:-

- property development loans
- property bridging loans
- specialist property lending

Revenues

Revenues are derived from loan fees charged to borrowers both on initial grant of the loan and ongoing fees. The company also charges lenders a fee for early exit.

During the year revenues have increased from £29m in 2016 to £32m in 2017, an increase of 10.34% reflecting the continued growth of the company. It is expected that revenues will continue to rise in 2018.

	2017	2016
	£	£
Loans under management at 31 December	186,583,921	151,499,956
Revenue for the year	32,168,580	29,199,126
Profit before tax for the year	764,380	3,255,437

Investment

The company has continued to invest in its infrastructure, technology, risk management and people.

Regulation

The company achieved full authorisation with the FCA on 9 July 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

Risk management is core to the company's business, and its ability to maintain its reputation. All properties are valued by professional qualified surveyors, borrowers are vetted and loans based on property values do not exceed 70% of the property value.

Operational risk

In order to mitigate the risk of financial loss from inadequate or failed internal systems, the company has invested in its IT infrastructure and operational systems.

Conduct risk

The risk of damage to the company's customers due to the inappropriate execution of its business activities and processes. The company mitigates conduct risk by tracking activities which affect customers, monitoring customer complaints and implementing improvements required. The company also aims to provide transparency in its activities, which are clearly explained on its website.

Market

The risk of financial losses through asset or liability positions affected by changes in the market, interest rates and foreign currency fluctuations.
In order to mitigate this risk, interest rate fluctuations are reviewed regularly by the board and adjusted as required.

Liquidity

The direct risk that the Company is unable to meet its financial obligations as they fall due. The company's liquidity position is monitored and reviewed on an ongoing basis by the directors.

Credit Risk and the Provision Fund

Lendy Ltd manages the credit risk to its lenders as follows:-

- performing rigorous and streamlined due diligence on potential borrowers
- performing credit and legal checks on potential borrowers
- managing loans throughout their term
- taking a legal charge over the property
- ensuring loans do not exceed 70% of the property's open market value

In addition a provision fund is maintained to provide lenders with a buffer against credit risk. In this way the lender's risk is based on the performance of the whole loan portfolio. The protection provided by the Provision Fund is limited to the value of the capital in the fund at any point in time.

Regulatory

The company monitors any changes in the regulatory environment that might impact the business, and will continue to work closely with its regulators. In the year the company has appointed P Coles as Head of Compliance.

FUTURE DEVELOPMENTS

The company is continuing to focus on growth and to attract more capital. As the market develops, the company is expecting significant future growth.

The company will continue with its existing investments, but through its new mandate will look to innovate new products and services in line with its full FCA permissions.

ON BEHALF OF THE BOARD:

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Mr L J Brooke - Director

Date: 3 AUGUST 2018

Lendy Ltd

Report of the Director
for the Year Ended 31 December 2017

The director presents his report with the financial statements of the company for the year ended 31 December 2017.

DIVIDENDS
The total distribution of dividends for the year ended 31 December 2017 is £NIL (2016: £35,000).

No final dividend has been proposed for the year.

DIRECTORS
Mr L J Brooke has held office during the whole of the period from 1 January 2017 to the date of this report.

Other changes in directors holding office are as follows:

Mr T A Gordon ceased to be a director after 31 December 2017 but prior to the date of this report.

DISCLOSURE IN THE STRATEGIC REPORT
A review of the business can be found in the Strategic Report.

DIRECTOR'S RESPONSIBILITIES STATEMENT
The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations and in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- follow applicable accounting standards subject to material departures being declared and explained in the financial statements.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Moore Stephens LLP (Statutory Auditor) will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

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Mr L J Brooke - Director

Date: 3 AUGUST 2018

Report of the Independent Auditors to the Members of Lendy Ltd

Opinion
We have audited the financial statements of Lendy Ltd (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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 director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

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 Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Director 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 Report of the Director.

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Report of the Independent Auditors to the Members of Lendy Ltd

Responsibilities of director
As explained more fully in the Director's Responsibilities Statement set out on page five, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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 Report of the Auditors.

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 a Report of the Auditors 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.

Kelly Sheppard

Kelly Sheppard (Senior Statutory Auditor)
for and on behalf of Moore Stephens LLP (Statutory Auditor)
150 Aldersgate Street
London
EC1A 4AB

Date: 3 August 2018

Lendy Ltd

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Notes	2017 £	2016 £
TURNOVER	3	32,168,580	29,199,126
Cost of sales		24,852,193	20,633,863
GROSS PROFIT		7,316,387	8,565,263
Administrative expenses		6,553,540	5,330,400
OPERATING PROFIT	5	762,847	3,234,863
Interest receivable and similar income	6	1,533	20,574
PROFIT BEFORE TAXATION		764,380	3,255,437
Tax on profit	7	159,254	649,086
PROFIT FOR THE FINANCIAL YEAR		605,126	2,606,351
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		605,126	2,606,351

The notes form part of these financial statements

Statement of Financial Position
31 December 2017

	Notes	2017 £	2017 £	Restated 2016 £	Restated 2016 £
FIXED ASSETS					
Tangible assets	9		933,604		923,873
Investments	10		101		101
			933,705		923,974
CURRENT ASSETS					
Debtors	11	195,661,125		161,415,170	
Cash at bank and in hand		5,549,068		1,061,429	
		201,210,193		162,476,599	
CREDITORS					
Amounts falling due within one year	12	194,888,093		157,609,421	
NET CURRENT ASSETS			6,322,100		4,867,178
TOTAL ASSETS LESS CURRENT LIABILITIES			7,255,805		5,791,152
PROVISIONS FOR LIABILITIES	13		3,715,083		2,855,556
NET ASSETS			3,540,722		2,935,596
CAPITAL AND RESERVES					
Called up share capital	14		100,000		100,000
Retained earnings			3,440,722		2,835,596
SHAREHOLDERS' FUNDS			3,540,722		2,935,596

The financial statements were approved by the director on 3 AUGUST 2018 and were signed by:

Mr L J Brooke - Director

The notes form part of these financial statements

Lendy Ltd

Statement of Changes in Equity
for the Year Ended 31 December 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	100,000	1,044,033	1,144,033
Prior year adjustment	-	(779,788)	(779,788)
As restated	100,000	264,245	364,245
Changes in equity			
Dividends	-	(35,000)	(35,000)
Total comprehensive income	-	2,606,351	2,606,351
Balance at 31 December 2016	100,000	2,835,596	2,935,596
Changes in equity			
Total comprehensive income	-	605,126	605,126
Balance at 31 December 2017	100,000	3,440,722	3,540,722

The notes form part of these financial statements

Lendy Ltd

Statement of Cash Flows
for the Year Ended 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	4,382,201	(3,128,773)
Tax paid		-	(209,727)
Net cash from operating activities		4,382,201	(3,338,500)
Cash flows from investing activities			
Purchase of tangible fixed assets		(33,748)	(82,350)
Purchase of fixed asset investments		-	(101)
Interest received		1,533	20,574
Net cash from investing activities		(32,215)	(61,877)
Cash flows from financing activities			
Loan repayments in year		-	(240,000)
Amount introduced by directors		137,653	477,714
Amount withdrawn by directors		-	(222,840)
Equity dividends paid		-	(35,000)
Net cash from financing activities		137,653	(20,126)
Increase/(decrease) in cash and cash equivalents		4,487,639	(3,420,503)
Cash and cash equivalents at beginning of year	2	1,061,429	4,481,932
Cash and cash equivalents at end of year	2	5,549,068	1,061,429

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Profit before taxation	764,380	3,255,437
Depreciation charges	24,016	20,407
Increase in provision	859,528	1,662,782
Finance income	(1,533)	(20,574)
	1,646,391	4,918,052
Increase in trade and other debtors	(34,383,608)	(93,400,655)
Increase in trade and other creditors	37,119,418	85,353,830
Cash generated from operations	4,382,201	(3,128,773)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	5,549,068	1,061,429

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	1,061,429	4,481,932

1. **STATUTORY INFORMATION**

Lendy Limited was incorporated on 9th October 2012 under the Companies Act 2006, as a private limited company and is registered in England & Wales (company no: 08244913). The principle activity of the company is that of a peer to peer funded bridging lender and development finance provider. The address of its head office is Branksmere House, Queens Crescent, Southsea, Hampshire PO5 3HT.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements
These financial statements have been prepared in accordance with the provisions of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

Preparation of consolidated financial statements
The financial statements contain information about Lendy Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is a wholly owned subsidiary of Lendy Group Limited. Therefore it is exempt by the virtue of Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements. Note 17 provides further details.

Significant judgements and estimates
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as reported at the statement of financial position date and the amounts reported for revenues and expenses in the year.

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

- Determine the provisions for loan losses and/or bad debts. The carrying amount of loans receivable is reduced by an allowance for loan losses which is maintained at a level which, in management's judgement, is adequate to absorb credit losses inherent in the loan portfolio and in particular, to those loans that are in default.

Key sources of estimation uncertainty
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Reclassification of comparative amounts
Bank balances of £15,257,036 have been restated for 2016 as client accounts have been removed from the balances reported. Amounts due to savers have also been restated.

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2. **ACCOUNTING POLICIES - continued**

Turnover
Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business.The fair value of consideration takes into account any trade or settlement discounts.

Loan arrangement fees are recognised on the formation and formal acceptance of each loan agreement.

Interest receivable and interest payable is recognised in the profit or loss for all loans on an accrual basis using the effective interest method. The effective interest rate is the rate that discounts the expected estimated future cash payments and receipts through the expected term of the loan. Where the loans become overdue for repayment, interest income continues to be recognised based on the original effective interest rate with an additional default interest rate of interest added in accordance with the loan agreement.

Other investment income is recognised when it is probable that economic benefits will flow to the company and the amount of revenue can be measured reliably.

Tangible fixed assets
Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. The estimated useful lives range as follows:

Freehold land and buildings	- 2% straight line method
Computer equipment	- 25% straight line method

The assets will be assessed at each reporting date to determine whether there is any indication of impairment. Where there is any indication of impairment, the carrying value of the asset is tested. Any impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Investments in subsidiaries
Investments in subsidiary undertakings are held at cost less accumulated impairment losses.

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost less any impairment.

Financial assets are derecognised only when contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

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2. ACCOUNTING POLICIES - continued

Basic financial liabilities
Basic financial liabilities, including trade and other payables are initially recognised at transaction price and are subsequently carried at amortised cost less any impairment.

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Loan provision policy and recognition of loan book
Account receivables from borrowers are initially recognised at the capital balance loaned to investors. After initial recognition, receivables are subsequently measured at amortised cost, being the loan at initial cost, less repayments, plus interest and charges accrued, less any deductions for impairment.

Account receivables from borrowers are regularly considered for impairment. The directors assess whether there is objective evidence that account receivables have been impaired at each balance sheet date and are required to make best estimates of probable losses with the loan book.

The principle evidence of impairment is arrears on contractual payments. Loans are deemed to be impaired when one of more contractual monthly payment is in arrears at the month end.

Subsequent cash flows are regularly assessed to ensure that the estimates are sufficiently accurate for impairment provisioning purposes. Impairment charges are charged to the profit and loss account as part of cost of sales.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Going concern
At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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2. ACCOUNTING POLICIES - continued

Cash and cash equivalents
Cash and cash equivalents includes 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. Bank overdrafts are shown within borrowings in current liabilities.

Share Capital
Ordinary shares are classified as equity.

Distributions to equity holders
Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Related Party Transactions
The company does not disclose transactions with members of the same group that are wholly owned.

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below:

	2017	2016
	£	£
United Kingdom	32,168,580	29,199,126
	32,168,580	29,199,126

4. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	1,431,294	525,395
Social security costs	174,450	58,613
Other pension costs	133,992	30,000
	1,739,736	614,008

The average number of employees during the year was as follows:

	2017	2016
Directors	2	2
Support and office staff	17	6
	19	8

	2017	2016
	£	£
Directors' remuneration	200,000	53,417
Directors' pension contributions to money purchase schemes	133,992	30,000

continued...

4. **EMPLOYEES AND DIRECTORS - continued**

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	2	2

Information regarding the highest paid director for the year ended 31 December 2017 is as follows:

	2017
	£
Emoluments etc	100,000
Pension contributions to money purchase schemes	40,000

5. **OPERATING PROFIT**

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation - owned assets	24,017	20,407
Auditors' remuneration	37,911	21,600
Auditors' remuneration - prior year	32,215	-
Auditors' remuneration - CASS audit	22,200	-
Auditors' remuneration - CASS audit prior year	21,560	-

6. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2017	2016
	£	£
Deposit account interest	1,533	12,485
Other interest received	-	8,089
	1,533	20,574

7. **TAXATION**

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2017	2016
	£	£
Current tax:		
UK corporation tax	159,254	649,086
Tax on profit	159,254	649,086

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7. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Profit before tax	764,380	3,255,437
Profit multiplied by the standard rate of corporation tax in the UK of 19.246% (2016 - 20%)	147,113	651,087
Effects of:		
Expenses not deductible for tax purposes	14,014	10,387
Capital allowances in excess of depreciation	(1,873)	(12,388)
Total tax charge	159,254	649,086

8. **DIVIDENDS**

	2017	2016
	£	£
Interim	-	35,000

9. **TANGIBLE FIXED ASSETS**

	Freehold property	Computer equipment	Totals
	£	£	£
COST			
At 1 January 2017	861,930	82,350	944,280
Additions	-	33,748	33,748
At 31 December 2017	861,930	116,098	978,028
DEPRECIATION			
At 1 January 2017	-	20,407	20,407
Charge for year	-	24,017	24,017
At 31 December 2017	-	44,424	44,424
NET BOOK VALUE			
At 31 December 2017	861,930	71,674	933,604
At 31 December 2016	861,930	61,943	923,873

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10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2017 and 31 December 2017	101
NET BOOK VALUE	
At 31 December 2017	101
At 31 December 2016	101

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Saving Stream Bond Limited
Registered office: England & Wales
Nature of business: Other support services

Class of shares:	% holding
Ordinary	100.00

	2017 £	2016 £
Aggregate capital and reserves	(248,535)	(200,657)
Loss for the year	(248,635)	(200,757)

Saving Stream Bond Limited

The company owns 100% of the equity share capital of Saving Stream Bond Limited, a company incorporated in the UK. The address of the registered office of Saving Stream Bond Limited is Brankesmere House, Queens Crescent, Portsmouth, PO5 3HT.

MaltabondP2P Limited
Registered office: England & Wales
Nature of business: Dormant

Class of shares:	% holding
Ordinary	100.00

	2017 £	2016 £
Aggregate capital and reserves	1	1

MaltabondP2P Limited

The company owns 100% of the equity share capital of MaltabondP2P Limited, a company incorporated in the UK. The address of the registered office of MaltabondP2P Limited is Brankesmere House, Queens Crescent, Portsmouth, PO5 3HT.

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11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Amounts owed by group undertakings	3,317,469	1,894,833
Loans	186,583,921	151,499,956
Other debtors	1,551,281	2,259,641
Directors' current accounts	-	137,653
Prepayments	4,208,454	5,623,087
	195,661,125	161,415,170

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	Restated 2016
	£	£
Trade creditors	311,005	10,572
Amounts owed to group undertakings	-	101
Tax	609,397	450,143
Social security and other taxes	128,917	63,754
Other creditors	2,572	13,160
Amounts due to savers	180,322,594	144,440,187
Interest payable	7,254,554	5,432,442
Accruals and deferred income	6,259,054	7,199,062
	194,888,093	157,609,421

13. PROVISIONS FOR LIABILITIES

	2017	2016
	£	£
Other provisions	3,715,083	2,855,556

	Other provisions
	£
Balance at 1 January 2017	2,855,556
Provided during year	859,527
Balance at 31 December 2017	3,715,083

A provision is made against the potential future default of borrowers.

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
100,000	Ordinary	£1.00	100,000	100,000

Each Ordinary share has full rights in the company with respect to voting, dividends and distributions.

Total dividends paid in the year were £NIL (2016 £35,000). No final dividend has been proposed for the year ended 31 December 2017.

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15. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 December 2017 and 31 December 2016:

	2017 £	2016 £
Mr L J Brooke		
Balance outstanding at start of year	110,721	222,056
Amounts repaid	(110,721)	(111,335)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	110,721

	2017 £	2016 £
Mr T A Gordon		
Balance outstanding at start of year	26,932	170,471
Amounts repaid	(26,932)	(143,539)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	26,932

The above is in summarised form.

During the year the directors received dividends of £NIL (2016: £17,500) each.

16. RELATED PARTY DISCLOSURES

By a Deed of Adherence dated 7 November 2016, the company adhered to the Wealth Protection International Remuneration Trust. During the year the company contributed £400,000 (2016: £600,000) to the Wealth Protection International Remuneration Trust, of which the beneficiaries of the contributions are owned by the directors.

The directors. L. Brooke and T Gordon are also 100% shareholders of Teal Capital Limited, a company which trades in property development. At the year end a total of £819,588 (2016: £749,588) is owed to the company.

During the year, a total of key management personnel compensation of £333,992 (2016 - £83,417) was paid.

The key management personnel in the year is deemed to be the directors of the company.

17. ULTIMATE PARENT COMPANY

The ultimate parent company and the smallest and largest group to consolidate these financial statements is Lendy Group Limited. Copies of the Lendy Group Limited consolidated financial statements can be obtained from Branksmere House, Queens Crescent, Southsea, Hampshire, P05 3HT.

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18. FINANCIAL INSTRUMENTS

a) Summary

	2017	2016
	£	£
Financial assets		
Financial assets measured at fair value through profit and loss	5,549,068	1,061,429
Financial assets measured at amortised cost	191,452,671	161,415,170
	197,001,739	162,476,599
Financial liabilities		
Financial liabilities measured at amortised cost	188,675,358	157,609,421

Financial assets measured at fair value through profit and loss comprise of cash and cash equivalents.

Financial assets measured at amortised cost comprise of loan amounts due from borrowers, other debtors and accrued income and amounts due from group undertakings.

Financial liabilities measured at amortised cost comprise of amounts due to savers, trade creditors, other creditors, accruals, deferred income and amounts due to group undertakings.

b) Risks arising from financial instruments

i) Market and interest rate risk

Borrowers loans are based on a fixed interest rate set at the start of the credit agreement and are not exposed to market driven fluctuations. Consequently, the impact of changes in Bank of England base rates have no direct effect on the financial position of the company.

ii) Credit risk

As a Peer to Peer lender, the company is in business to take managed credit risk.

The company has an exposure to the credit risk of each of its borrowers in respect of the loans it makes, with the risk being that any borrower will be unable or unwilling to repay the loan as the individual instalments fall due.

Management carefully manages and mitigates the company's exposure to such credit risk, through its lending models, policies and processes before and at loan origination, in addition to servicing and collections activities undertaken during the life of the loan. Before the loan is made, each borrower is assessed for their credit worthiness and ability to sustainably afford to repay the loan. During the life of each loan, the company continuously monitors and seeks to mitigate the risk of arrears development. This is achieved by applying a rigorous and streamlined due diligence on the borrowers and taking a legal charge over the properties and ensuring that the loans do not exceed 70% of the properties open market value.

19. POST BALANCE SHEET EVENTS

On 26 July 2018, the ultimate parent company, Lendy Group Limited, performed a purchase of own shares from reserves. After the transaction the Ultimate Controlling Party was Liam Brooke.