Company Registration No. 08140312 (England and Wales)

LONDON CAPITAL & FINANCE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2017

LONDON CAPITAL & FINANCE PLC

COMPANY INFORMATION

Directors	Mr MA Thomson Ms KR Simpson Mr FJ Huisamen (Appointed 1 July 2016) Mr K Maddison
Company number	08140312
Registered office	The Old Coach House Eridge Park Eridge Green Tunbridge Wells TN3 9JS
Auditor	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

LONDON CAPITAL & FINANCE PLC

CONTENTS

The directors present the strategic report and financial statements of London Capital & Finance plc ("the company") for the year ended 30 April 2017.

The company's principal activities during the period continue to be raising funding through the issuance of medium term private bonds to retail investors and then lending the proceeds of the bonds to medium sized businesses on a fully secured basis. The company is regulated by the Financial Conduct Authority.

During the year the company issued bonds with an aggregate par value of £53,397,157 (2016: £9,269,143) and redeemed bonds with a par value of £2,444,954 (2016: £664,463). During the year the company also issued loans with an aggregate value of £50,392,963 (2016: £8,731,220) and redeemed loans with a par value of £488,500 (2016: £688,960). At year end, the company had a total of 11 corporate borrowers (2016: 5). Loans issued have an average maturity profile of three years.

The company holds fixed and floating charges over the assets of its borrowers to secure the loans. At the year end the loan to collateral value ratio was 21% (2016: 15%) as below:

Value of secured assets	£284,725,329
Carrying value of loans at 30 April 2017	£47,900,134
Notional value of loans at 30 April 2017	£58,798,639
Loan to carrying value	17%
Loan to notional value	21%

The carrying value of the loans is the value of the loans outstanding at the year end net of certain transaction costs. The notional value is simply the value of the loans outstanding as at the year end.

Risk management considerations

Given the operations of the company described above, the company's key financial risks include the credit risk associated with borrower default arising from the loan portfolio and the liquidity risk associated with having insufficient capital available to meet the company's obligations to its bondholders. The company has limited financial exposure to currency risk or interest rate risk as the bonds issued and loans made by the company are in Sterling at fixed rates of interest.

The credit risk described above includes a failure on behalf of the borrower to make interest or capital repayments as they fall due in accordance with the terms of the underlying loan agreements. The company's policies aim to minimise the risk of credit losses through the performance of due diligence on the creditworthiness of each borrower prior to entering into a loan agreement and through the receipt of adequate collateral to act as security in the event of default.

The liquidity risk described above is managed by aligning the maturity profiles for the repayment of bond obligations with the repayment profile of loans made to borrowers to ensure that the loan portfolio provides adequate liquidity to meet the company's commitments to its bondholders. This cash flow profile is monitored by management on an active basis throughout the year with any shortfalls met with additional funding.

From an operational perspective, the key risk relates to the potential for non-compliance with the regulations issued by the Financial Conduct Authority that could lead to the company being subject to a fine or a ban on trading activities. This is managed through regular review of the company's compliance framework by Senior Management.

Business performance
The profit of the company for the year was £273,234 (2016: £166,916) and includes a gross profit of £1,218,634 (2016: £329,126) and administrative expenses of £900,904 (2016: £180,576).

The gross profit of the company represents the net profit retained by the company from its borrowing and lending activities. The company earns income by retaining a margin between the loan interest receivable from borrowers and the amount of bond interest payable to its lenders. The company received gross interest of £2,825,094 from borrowers and paid £2,232,855 of this balance to lenders, retaining £592,239.

In addition, the company is entitled to an arrangement fee payable by the borrower at the point that each new loan is initiated. The fees generated from this activity are recognised over the life of the loan and the company earned arrangement fees of £1,083,667 during the year.

Revenue and gross profit of the company have increased compared to last year in line with the significant growth in the company's loan portfolio.

The company had shareholders' funds at the year end of £298,827 (2016: £25,592).

Signed on behalf of the board by:

....

Mr MA Thomson
Director
............14/2/2018

The directors present their annual report and the financial statements of London Capital & Finance plc ("the company") for the year ended 30 April 2017.

Results and dividends
The results for the year are set out in the statement of comprehensive income on page 7.

No ordinary dividends were paid. The directors do not recommend the payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr MA Thomson	
Mr MDW Baldwin	(Resigned 9 June 2016)
Ms KR Simpson	
Mr MJ Binks	(Resigned 24 August 2016)
Mr FJ Huisamen	(Appointed 1 July 2016)
Mr K Maddison	

Supplier payment policy
The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU), which includes requirements to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Financial instruments
The company's principal financial instruments include the bonds issued by the company, the loans made to borrowers, surplus cash held within the company and working capital balances arising from its operations. The company does not hold any derivative financial instruments either for trading or risk management purposes. The risk exposures to which the company is exposed as a result of holding these financial instruments are discussed in greater detail within both the Strategic Report and Note 9 to the financial statements.

Future developments
The company intends to continue developing their bond and loan books accordingly. The company will raise funds through more bond issues and intends to loan this money to existing and new customers.

Auditor
Ernst & Young LLP have been appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to the company's General Meeting.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events or conditions on the company's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Going concern

The Directors consider that the use of the going concern basis of accounting is appropriate in relation to the financial statements of the company because they are not aware of any material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern, covering a period of at least twelve months from the date of approval of the financial statements.

In particular, the Directors note that the structure, interest profile and maturity of the company's loan portfolio is expected to provide adequate liquidity to meet the company's commitments to its borrowers as well as providing a high degree of certainty that the company will generate revenues that will exceed the company's expenditure base. The company has been successful in expanding the company's loan portfolio throughout the current financial period and has continued to grow the company's investor base through the issuance of new bond facilities since the end of the current financial period; demonstrating an ability to continue to raise finance on maturity of the existing bond portfolio.

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Statement of disclosure of information to auditor

Each director in office at the date of approval of this annual 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
- the director has taken all the steps that he / she ought to have taken as 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 section 418 of the Companies Act 2006.

Signed on behalf of the board by:

....

Mr MA Thomson

Director

Date: 14/2/2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LONDON CAPITAL & FINANCE PLC

We have audited the financial statements of London Capital & Finance plc for the year ended 30 April 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Change in Equity, the Statement of Cash Flows and the related notes 1 to 17. 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.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its profit 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

- 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.

LONDON CAPITAL & FINANCE PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LONDON CAPITAL & FINANCE PLC

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any 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.

Ernst + Young LLP

Neil Parker (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London

Date: 14. February 2018

LONDON CAPITAL & FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017 £	2016 £
Interest receivable and similar income	2	7,822,771	948,201
Finance costs and similar expenses		(6,604,137)	(619,075)
Gross profit		1,218,634	329,126
Administrative expenses		(900,904)	(180,576)
Operating profit	3	317,730	148,550
Income tax (expense)/credit	5	(44,496)	18,366
Profit and total comprehensive income for the year	14	273,234	166,916

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The accompanying notes form an integral part of these financial statements.

LONDON CAPITAL & FINANCE PLC

STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2017

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	6	167,726	9,233
Loans and receivables	7	47,900,134	6,848,446
Deferred tax asset	12	18,366	18,366
		48,086,226	6,876,045
Current assets			
Loans and receivables	7	-	585,568
Trade and other receivables	8	662,190	2,447,960
Current tax recoverable		-	4,929
Cash and cash equivalents		1,821,351	281,662
		2,483,541	3,320,119
Total assets		50,569,767	10,196,164
Current liabilities			
Bonds payable	10	4,830,504	2,556,357
Trade and other payables	11	799,219	218,378
Net current (liabilities)/assets		(3,146,182)	545,384
Non-current liabilities			
Bonds payable	10	44,641,217	7,395,837
Total liabilities		50,270,940	10,170,572
Net assets		298,827	25,592
Equity			
Called up share capital	13	50,000	50,000
Retained earnings		248,827	(24,408)
Total equity		298,827	25,592

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 14/2/2018 and were signed on its behalf by:

....

Mr MA Thomson
Director
Company Registration No. 08140312

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2017

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 May 2015		1,000	(191,324)	(190,324)
Year ended 30 April 2016:				
Profit and total comprehensive income for the year		-	166,916	166,916
Issue of share capital		49,000	-	49,000
Balance at 30 April 2016		50,000	(24,408)	25,592
Year ended 30 April 2017:				
Profit and total comprehensive income for the year		-	273,234	273,234
Balance at 30 April 2017		50,000	248,827	298,827

The accompanying notes form an integral part of these financial statements.

LONDON CAPITAL & FINANCE PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Cash used in operations	18		(33,974,263)		(8,485,410)
Tax paid			-		(4,929)
Net cash outflow from operating activities			(33,974,263)		(8,490,339)
Investing activities					
Purchase of property, plant and equipment		(180,553)		(12,500)	
Net cash used in investing activities			(180,553)		(12,500)
Financing activities					
Proceeds from issue of shares		37,500		12,500	
Proceeds from issuance of bonds		39,780,882		8,771,993	
Interest paid on bonds		(1,678,923)		-	
Amount paid on redemption of bonds		(2,444,954)		-	
Net cash generated from financing activities			35,694,505		8,784,493
Net increase in cash and cash equivalents			1,539,689		281,654
Cash and cash equivalents at beginning of year			281,662		8
Cash and cash equivalents at end of year			1,821,351		281,662

The Directors consider that all activities relating to the provision of loan finance to underlying investee companies (including making new loans, receiving interest on existing loans and the receipt of interest from investee companies) to be part of the core operating activities of the company. Accordingly, for the purpose of the statement of cash flows, these transactions are classified as Operating Activities.

The accompanying notes form an integral part of these financial statements.

1 Accounting policies

Company information
London Capital & Finance plc is a private company limited by shares incorporated in England and Wales. The registered office of the company is The Old Coach House, Eridge Park, Eridge Green, Tunbridge Wells, TN3 9JS.

1.1 Accounting convention
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS (except as otherwise stated).

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

1.3 Revenue
Revenue is made up of three elements; interest and commissions receivable on loans, fees associated with the arrangement of loans and other consultancy fees. The company recognises consultancy fees on an accruals basis. Interest receivable and arrangement fees are recognised on an accruals basis using the effective interest method over the term of the financial asset.

1.4 Property, plant and equipment
Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	20% straight line
Computer equipment	33% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the statement of comprehensive income.

1.5 Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Any bank overdrafts are shown within borrowings in current liabilities.

1.6 Financial assets

Recognition and classification
Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value net of transaction costs.

1 Accounting policies **(Continued)**

Loans and receivables

Loans made to borrowers by the company that have fixed or determinable repayment terms and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost, less any impairment.

The transaction costs incurred by the company in relation to the issue of bonds (see accounting policy 1.7 below) are passed on to the borrower by the company by way of a deduction in the initial value of the loan relative to the par value. The borrower is required to repay the loan at par on maturity. As a result, the loan is initially recognised as the par value less these costs. The difference between the initial carrying value of the loan and the par value on maturity is recognised within revenue in the statement of comprehensive income over the life of the loan using the effective interest method.

Upon completion of a new or revised loan agreement, the company also charges an arrangement fee to the borrower. In accordance with the requirements of IFRS, this fee is deducted from the carrying value of the loan and is recognised as revenue in the statement of comprehensive income over the life of the loan arrangement using the effective interest method.

Impairment of financial assets

At the year end, the company assesses whether there is any objective evidence that any of the loans made by the company have been impaired. A loan is deemed to be impaired if, and only if, there is objective evidence that one or more events have occurred since the initial recognition of the loan that have an impact on the estimated future cash flows of the loan and the impact can be reliably measured.

Evidence of impairment includes indications that the borrower is experiencing significant financial difficulty; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Derecognition of financial assets

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

1.7 Financial liabilities

Financial liabilities are recognised when the company has a legal obligation as a result of entering into a contract with a third party and classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The bonds issued by the company are classified as "other financial liabilities" and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost.

The company incurs certain costs associated with the issuance of new bonds. Upon initial recognition, these costs are netted off against the par value of the bond. These costs are amortised to the statement of comprehensive income over the life of the bond using the effective interest method. The amortised costs are recognised within "cost of sales" in the statement of comprehensive income. The interest payable in respect of these bonds is also recognised within "cost of sales" in the statement of comprehensive income using the effective interest method.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1 Accounting policies **(Continued)**

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of 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 statement of financial position date.

Deferred tax

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 balance sheet 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense on an accruals basis.

The cost of any unused holiday entitlement is recognised on an accruals basis in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to the statement of comprehensive income on a straight line basis over the term of the relevant lease.

1 Accounting policies **(Continued)**

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.13 Administrative expenses

All administrative expenses incurred are recognised on an accruals basis.

1.14 Trade receivables

Trade receivables are measured at fair value on initial recognition which equates to the amount expected to be receivable on settlement of the asset.

1.15 Trade payables

Trade payables are initially measured at fair value which approximates to the amount expected to be required to settle the obligations on behalf of the Group.

1.16 IFRS accounting standards issued but not yet effective

There are no accounting standards, amendments and interpretations, which became effective for the company for the first time for the financial period ending on 30 April 2017 that had a material impact on the company.

In addition, the company did not early adopt any new or amended standards during the period ended 30 April 2016 that have been issued but that are yet to become effective.

IFRS 9 – Financial Instruments - This standard introduces new requirements for the classification, measurement and impairment of financial instruments and is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The adoption of IFRS 9 will result in an amended classification and presentation of the company's financial assets and liabilities. Whilst the Directors consider that both financial assets and liabilities will continue to be measured at amortised cost, IFRS 9 introduces a revised methodology for the assessment of impairment of financial assets (mandating a forward looking assessment of impairment to assess expected credit losses as well as historical indicators of impairment). It is possible that the revised impairment methodology will result in a change in the carrying value of the company's financial assets. The Directors are currently assessing the impact of these requirements on the financial statements of the company.

IFRS 15 - Revenue from Contracts with Customers - Under IFRS 15 revenue will recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is applicable to all entities for annual periods beginning on or after 1 January 2018 with early adoption permitted. The company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 7 – Statement of Cash Flows - Amendments to IAS 7 is effective for annual periods beginning on or after 1 January 2017. The company is currently assessing the impact of Amendments to IAS 7 and plans to adopt the new standard on the required effective date.

IFRS 16 – Leases – IFRS 16 is effective for annual periods beginning on or after 1 January 2016 with early application permitted. It will introduce a substantial change to the presentation and measurement of the operating leases under which the company currently acts as lessee. Specifically, unless the leased asset is deemed to be of low value, the standard will require the company to recognise an asset and a liability in respect of all such leases with the liability representing the obligation to make lease payments over the lease term and the asset representing an equivalent right to use the asset over the term. The Directors are currently assessing the impact of these requirements on the financial statements of the company.

2 Revenue

An analysis of the company's revenue is as follows:

	2017	2016
	£	£
Loan interest receivable	2,825,094	306,605
Amortisation of loan set up costs	3,913,803	328,331
Arrangement fees	1,083,667	157,727
Consultancy fees	-	155,539
Bank interest receivable	207	-
	7,822,771	948,202

3 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	85,000	25,000
Depreciation of property, plant and equipment	22,060	3,267

The company did not incur any fees in respect of any non-audit services provided by the auditor to the company during the period (2016: £nil).

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was 6 (2016: 2).

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	87,689	8,681
Social security costs	8,790	671
	96,479	9,352

Directors' remuneration for the year was £nil (2016: £nil).

5 Income tax expense

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	44,496	-
Deferred tax		
Origination and reversal of temporary differences	-	(18,366)
Total tax charge/(credit)	44,496	(18,366)

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2017	2016
	£	£
Profit before taxation	317,730	148,551
Expected charge based on a corporation tax rate of 20.0% (2016: 20.0%)	63,546	29,710
Effect of expenses not deductible in determining taxable profit	11,212	276
Income not taxable	(3,316)	-
Utilisation of tax losses not previously recognised	(11,386)	(28,139)
Capital allowances in excess of depreciation	(15,560)	(2,500)
Depreciation on assets not qualifying for tax allowances	-	653
Utilisation of tax losses brought forward	-	(18,366)
Taxation charge/(credit) for the year	44,496	(18,366)

6 Property, plant and equipment

	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 30 April 2016	6,750	5,750	-	12,500
Additions	68,868	-	111,685	180,553
At 30 April 2017	75,618	5,750	111,685	193,053
Accumulated depreciation				
At 30 April 2016	1,350	1,917	-	3,267
Charge for the year	5,252	1,917	14,891	22,060
At 30 April 2017	6,602	3,834	14,891	25,327
Carrying amount				
At 30 April 2017	69,016	1,916	96,794	167,726
At 30 April 2016	5,400	3,833	-	9,233

7 Loans and receivables

	2017
	£
Opening par value of loans	9,312,978
Additions	50,392,963
Repaid loans	(488,500)
Loans written off during the period	(418,802)
Closing par value of loans	58,798,639
Unamortised costs	(10,898,505)
Carrying value at 30 April 2017	47,900,134
Carrying value at 30 April 2016	7,434,014

Of the total carrying value above, £nil falls due for repayment within one year. The total balance of £47,900,134 falls due in more than one year. None of the assets in the table above are considered to be past due or impaired at 30 April 2017 (2016: none).

The company has not designated any financial assets that are classified as held for trading or as financial assets at fair value through profit or loss.

Loans receivable are secured against a fixed and floating charge over the assets of the borrower. The charge is held by the company.

The terms of the loans are bespoke to each borrower depending on their circumstances and credit history. A fixed rate of interest is applied to each loan plus fees and other associated costs which will be repaid by the borrowers over the life of the loan.

The par value of the loans receivable from borrowers was £58,798,639 as at the statement of financial position date. This amount represents the gross amount receivable from borrowers on maturity of the loans.

As at 30 April 2016, the company had loans with a par value of £9,396,814 (inclusive of £83,836 of interest receivable).

The fair value of the loans and receivables at 30 April 2017 was deemed to be £62.3m (2016: £10.5m). The fair value has been calculated using a discount cash flow technique by applying a discount rate implied by the yields on listed corporate bonds with a similar credit and maturity profile (with a premium applied to the yield to reflect the perceived differences in risk profile between these corporate bonds and the loans held by the company).

8 Trade and other receivables

	2017 £	2016 £
Interest on loans receivable	662,190	-
Unpaid share capital	-	37,500
Other receivables	-	540,867
Prepayments	-	1,869,593
	662,190	2,447,961

The fair value of all trade and other receivables in the table above equates to their carrying value.

None of the assets in the table above are considered to be past due or impaired at 30 April 2017 (2016: none).

9 Financial risk management considerations

i) Interest rate risk

The company does not have any significant direct exposure to variances in interest rates.

The company makes fixed rate loans to borrowers that are financed by the issuance of fixed rate bonds. Both the loans made and the bonds issued are measured at amortised cost. As a result, any future interest rate variances will have no direct impact on future cash flows (via interest payments or receipts) or the carrying value of the assets or liabilities held by the company.

The company's only asset that is subject to variable interest rates is the cash held at bank. None of the company's other assets and liabilities are interest bearing. As a result, a 1% increase or decrease in interest rates would not have a material impact on the net assets or profit of the company.

ii). **Fair value of financial liabilities**

The company's maximum exposure to credit risk represents the aggregate carrying value of the loans and receivables (see note 7), trade and receivables (see note 8) and cash balances held by the company at 30 April 2017.

The credit risk associated with loans and receivables and associated accrued interest entitlements is managed through on-going due diligence that is performed to assess the ability of investee companies to meet their obligations as they fall due for payment. In addition, all loans are collateralised with the aggregate value of the collateral held by the company being £284,725,329m; representing a Loan to Value ratio of 17%. This mitigates the risk that the company will lose the capital value of the loan in the event that an investee company defaults.

The company holds cash balances only with reputable credit organisations with a strong credit rating.

iii) **Liquidity risk**

Liquidity risk arises from the company's management of working capital. It is the risk that the company may encounter difficulties in meeting its financial obligations as they fall due.

The company's principal liquidity risk relates to having insufficient capital to make repayments of interest or capital to bondholders as amounts fall due for payment. The table below shows the repayment profile of both interest and capital balances for the company's existing bond portfolio:

	Less than 1 year	More than 1 year	Total
	£	£	£
At 30 April 2017			
Interest payable on all bonds in existence to maturity	665,335	8,727,161	9,392,496
Repayment of capital on all bonds in existence to maturity	10,683,400	50,109,594	60,792,994
	11,348,735	58,836,755	70,185,490

The company's trade and other payables are repayable on demand at balances that approximate to the carrying values shown in Note 11.

iv) **Currency risk**

The company has no direct exposure to foreign currency risk as all loans made and the bonds issued by the company are denominated in sterling.

10 Bonds payable

	Current £	Non-current £	Total £
Opening par value of bonds	2,444,954	7,395,837	9,840,791
Bonds issued in the year	10,683,400	42,713,757	53,397,157
Bonds redeemed in the year	(2,444,954)	-	(2,444,954)
Closing par value of bonds	10,683,400	50,109,594	60,792,994
Unamortised costs	(5,852,896)	(5,468,377)	(11,321,273)
Carrying value at 30 April 2017	4,830,504	44,641,217	49,471,721
Carrying value at 30 April 2016	2,444,954	5,526,244	7,971,198

As at 30 April 2016 the par value of the bonds issued by the company (inclusive of interest payable of £111,403) was £9,952,194. The unamortised costs associated with these bonds was £1,869,593 as disclosed in Note 8.

The fair value of the bonds at 30 April 2017 was deemed to be £72.5m (2016: £11.9m). The fair value has been calculated using a discounted cash flow technique by applying a discount rate implied by the yields on corporate bonds with a similar maturity profile to the loans made to investee companies (with a premium applied to the yield to reflect the perceived differences in risk profile between the company's issuing these corporate bonds and the investee companies in which the company has invested).

11 Trade and other payables

	2017 £	2016 £
Interest payable	665,335	-
Amounts due to contract customers	-	189,275
Accruals	85,000	25,000
Corporation tax payable	39,567	-
Social security and other taxation	1,966	1,823
Other payables	7,351	2,280
	799,219	218,378

The fair value of all trade and other payables in the table above equates to their carrying value.

12 Deferred taxation

	2017
	£
Deferred tax asset at 1 May 2016	(18,366)
Recognition of deferred tax asset due to restatement in the year	-
Deferred tax asset at 30 April 2017	(18,366)

The deferred tax asset relates entirely to taxable losses brought forward from prior periods.

13 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

14 Operating lease commitments

The annual amounts payable under non-cancellable operating leases at the statement of financial position date are disclosed below:

	2017	2016
	£	£
Amounts maturing in less than one year	25,190	2,323
Amounts maturing in one to five years	-	-

15 Capital risk management

The company is not subject to any externally imposed capital requirements with the exception of those imposed by the FCA.

The capital requirements are monitored by the directors on an ongoing basis to ensure that the company retains sufficient capital to meet these minimum requirements.

16 Related party transactions

During the year one of the directors, K Maddison, was remunerated via a service company. Total remuneration paid to the service company for the year was £33,490.

Included within other creditors as at the statement of financial position date was an amount of £7,474 owed to M Thomson, a director of the company. The amount represents a non-interest bearing working capital loan with no formal terms.

As at the statement of financial position date, of the total bonds held, £25,000 was held by the company itself.

Included within costs associated with issuing bonds and loans throughout the period is £98,400 paid to London Capital Marketing Limited, a fellow subsidiary of London Financial Group Limited. There was no balance outstanding at the statement of financial position date (2016: £nil).

17 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	273,234	166,917
Adjustments for:		
Amortisation of loan set up costs	(3,913,803)	-
Finance costs and similar expenses	6,604,137	-
Taxation charged	44,496	18,366
Depreciation of property, plant and equipment	22,060	3,266
Movements in working capital:		
Net cash paid for loans made in the period	(36,842,839)	(8,860,846)
Increase in trade and other receivables	(37,487)	-
(Decrease)/increase in trade and other payables	(124,061)	186,887
Cash used in operations	(33,974,263)	(8,485,410)