ORCA

ArchOver Investment Report

April 2018

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The analysis and insight set out in this report should not be regarded as advice. Readers should therefore draw their own conclusions from the contents of this report. The final decision on whether to invest in a given provider is that of the investor.

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Please contact Jordan Stodart, Co-founder of Orca, if you have any comments with regard to this report. He can be contacted at 'jordan@orcamoney.com'.

EDITOR'S NOTE

This is the second edition of the ArchOver Investment Report. The first report was published in October 2017. This report is an extension of edition 1, covering various new elements of the ArchOver platform.

New areas explored include:

- New investment models
  ('Secured', 'Bespoke', 'Research and Development Advance')
- Geographic breakdown of loan book
- Borrower type breakdown of loan book

ArchOver Executive Summary

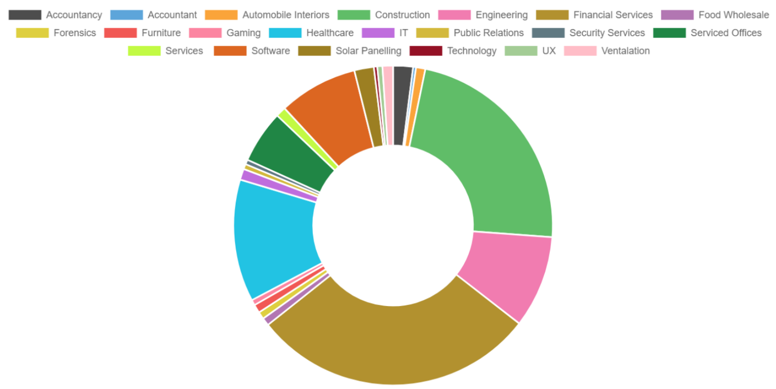
ArchOver
P2P Business Lending

PLATFORM INFORMATION

NAME:	ArchOver Limited
COMPANY NUMBER:	07235487
FOUNDED:	April 2014
FCA PERMISSION:	Fully Authorised
FCA NUMBER:	723755
LOAN TYPE:	Business

PLATFORM OVERVIEW

ArchOver is a peer-to-peer lending platform where investors can lend money to established businesses, typically seeking working capital. Most loans are secured with an all-assets charge over the business, where either the borrower's Accounts Receivable is credit insured or the contracted recurring revenue is assigned to ArchOver. New investment models have been introduced in recent months. Investors select the loans they wish to fund and are accordingly responsible for their diversification.



INVESTMENT DETAILS

MIN/MAX:	£1,000/no max
INTEREST PAYMENT:	Income monthly
INVESTMENT TYPE:	Manual loan selection
SECONDARY MARKET:	Not available directly

LOAN BOOK BREAKDOWN

ARCHOVER LOAN BOOK BREAKDOWN BY SECTOR

YEAR	MAIN SECTOR	PORTION OF BOOK (%)
2014	Financial Services	56%
2015	Financial Services	54%
2016	Healthcare	34%
2017	Construction	30%

ARCHOVER INVESTMENT MODELS

	S&I	S&A	SECURED	BESPOKE	R&D ADVANCE
Advertised rates	From 6.25%	From 7.75%	From 7%	From 9.25%	From 10%

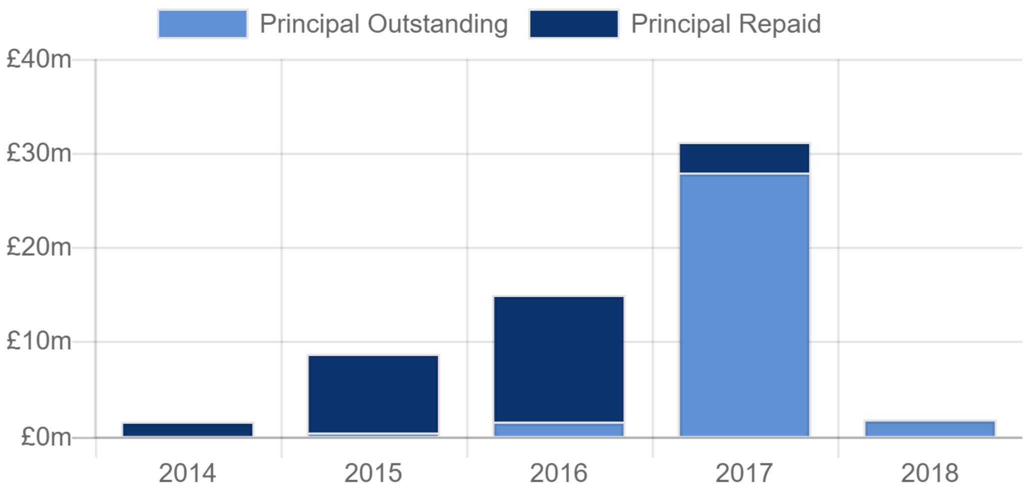
ACCOUNT DETAILS

ACCOUNTS:	General Investment Account (GIA)
IF ISA ACCOUNT:	Coming soon (2018)

OPERATOR

END OF YEAR	REVENUE	TOTAL LOSS	NET ASSETS
31/12/2015	£266,837	-£1,095,609	£178,034
31/12/2016	£582,846	-£1,137,492	£1,028,379
31/12/2017	£1,474,225	-£600,284	£941,625

AMOUNT LENT VS. AUM



YEAR	MIN. TERM	AVG. TERM	MAX. TERM
2014	6	21	36
2015	3	12	36
2016	1	10	24
2017	6	18	36

SECURITY SUMMARY

There are five investment models on the ArchOver platform: ‘Secured & Insured’ (S&I), ‘Secured & Assigned’ (S&A), ‘Secured’ (S), ‘Bespoke’ (B) and ‘Research & Development Advance’ (RDA). With S&I, investors’ capital is secured on an all-assets charge over the borrowing business and, additionally, on the Accounts Receivable (ARs) of the business, which are credit insured. With S&A, capital is secured on an all-assets charge over the business and, additionally, on the future contracted recurring revenue of the business, with ArchOver taking assignment of these contracts. With Secured loans, invesors’ capital is secured on an all-assets charge over the business and, additionally, either the business’s ARs, which are uninsurable, or over the business’s contracted recurring revenue, which is unassignable. With Bespoke loans, investors’ capital is secured on a second-ranking charge over the business, before transitioning into a Secured & Insured or Secured & Assigned loan with a first-rank charge after a short period. With R&D Advance loans, investors lend on an unsecured short-term basis against a tax credit claim, in this case, an R&D claim payable to the borrowing business by HMRC. For S&I, S&A and Secured loans, all payments from borrowers' customers flow through ArchOver's controlled bank accounts. For all loans, the platform employs a strict monthly monitoring process over the borrowing business throughout the term.

BORROWER TYPE

Established SME businesses seeking funding for core business reasons, such as working capital, are the typical borrowers on ArchOver.

ArchOver uses Bureau van Dijk credit score forecasting when evaluating borrowers. At the same time, ArchOver's partner, Coface, provides market insights.

The profile of the business, asset underwriting and insurance prospects are all considered during the due diligence process.

YEAR	AVG. BORROWER RATE	AVG. LOAN SIZE
2014	5.99%	£170,000
2015	7.02%	£157,982
2016	7.14%	£226,938
2017	7.47%	£307,072

This report has been independently prepared by Orca. If you have any questions regarding the contents of this report, please use the contact details listed below:

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1.0 Introduction

1.1 OVERVIEW

ArchOver is a peer-to-peer (P2P) lending platform which connects UK businesses requiring finance with investors seeking a secure and favourable return. Launched in 2014, ArchOver offers five investment models: 'Secured & Insured' (S&I), 'Secured & Assigned' (S&A), 'Secured' (S), 'Bespoke' (B) and 'Research & Development Advance' (RDA). Secured & Insured loans historically comprise 78% of the ArchOver loan book. In 2017, Secured & Insured loans comprised 63% of the loan book for the year, reflective of the addition of new investment models. Investors can expect returns ranging from 6% to 10% per annum (p.a.), however, rates depend on the individual loans selected and vary dependent on the level of security.

Secured & Insured loans are secured against the borrower's Accounts Receivable (ARs) with an all-assets charge, where the named ARs are credit insured, usually by ArchOver's insurance partner, Coface. A typical Accounts Receivable makeup consists of trade debtors (where work has been completed and invoiced) plus possible retentions, unbilled completed works and work in progress (WIP). ArchOver looks for low client churn and a good history of clients successfully settling invoices within terms. Credit insurance covers invoices for late payments and customer insolvency. It does not cover ARs that are not specified in the policy unless they fall into the discretionary amount (below £10,000) as determined on each loan. An insurance dispute may arise if a borrower's customer defaults on their invoice payment and the borrowing business neglects to inform the insurer in the agreed timeframe. If the borrower has a number of customers who default on their invoices in a short period, perhaps due to economic conditions affecting a certain sector, and the borrower fails to inform the insurer, then the borrower could default on repayment to ArchOver and investors could suffer losses.

Secured & Assigned loans are secured against the borrower's contracted recurring revenue with an all-assets charge, with ArchOver taking assignment of the contracts. Future contracted recurring revenue means fairly stable 'guaranteed' revenue and does not include additional services a company might provide on top. An example might be monthly fees for software, but any technical support is extra.

Secured loans are secured against the borrower's ARs or contracted recurring revenue with an all-assets charge. This type of borrowing is very similar to S&I or S&A except that, for positive reasons, the borrowing company cannot get credit insurance or ArchOver cannot obtain an assignment of contracts.

Bespoke loans are secured against the business on a second or third-ranking charge.

After a period, usually less than three months, the charge transitions to a first-ranking charge once enough funds have been raised to take out an incumbent lender.

Research & Development Advance (RDA) loans are made against a tax claim submitted on behalf of a borrowing company by their professional advisers to HM Revenue & Customs (HMRC). The claim is made against a Research & Development (R&D) tax credit, which enables the business to claim repayments from HMRC up to 33% of the qualifying R&D expenditure. Borrowers must also demonstrate successful claims for two previous years. The loan term is typically six months. This type of loan is unsecured.

The minimum loan amount that can be requested by a borrower is £250,000 ranging up to £15 million and from three to 36 months in term. Funds are typically used for working capital or to replace invoice financing, factoring or bank overdrafts.
Investors are required to manually select the businesses they wish to invest in, making financial commitments (ArchOver refers to this as ‘pledges’) on individual loans with a minimum investment of £1,000. Investors are responsible for their own diversification, as there is no auto-bid function where ArchOver spreads an investor’s capital across the loan book.

ArchOver is part of the Hampden Group (Hampden), and 91% owned by Hampden Holdings Ltd, which is the ultimate parent company. Hampden is a leading provider of specialist business support services to the insurance and financial services markets, with a 300-year history and some £2.4 billion under management in the Lloyd’s insurance market. Despite ArchOver operating at a loss for 2017, Hampden has provided sufficient capital to meet the day-to-day operations and regulatory requirements of the platform for the foreseeable future. Hampden has also invested on exactly the same terms as other investors £12,448,000 across the platform to-date.

1.2 BENEFITS

- ✓ Typically, two-tier security
- ✓ Parent company, Hampden Group, invests alongside the crowd
- ✓ No capital losses to-date

1.3 CONSIDERATIONS

- ! Limited historic defaults, means limited data to model future default rates
- ! Limited number of borrowers, so diversification may be restricted
- ! No direct secondary market – loan transfer function expected late 2018

1.4 PROVIDER FEES

There is no fee charged to the investor for lending. ArchOver has two revenue streams: a 'success-only' marketing fee payable by a borrower for marketing their project on the ArchOver platform and the monitoring fee which is the interest spread between the borrower rate and investor rate.

The marketing fee varies depending on the loan. The published rate is 4.8%.

For Secured & Insured loans, borrowers also pay a cost for insurance, equating to 0.147% of their annual turnover for the duration of the loan.

As an example of the interest spread earned by ArchOver, the differential on the minimum rate Secured & Insured loan is the 7.70% p.a. borrower rate minus the 6.25% p.a. investor rate, giving a 1.45% differential.

2.0 Investment Security

2.1 INTRODUCTION

There are two tiers of security offered on Secured & Insured and Secured & Assigned loans listed on the ArchOver platform – Secured & Insured loans account for approximately 78% of historic loans. The first tier is an all-assets charge over the borrowing business, which is perfected with a controlled bank account owned by ArchOver, into which all payments from the borrower's customers flow. The second tier of security is relative to the investment model.

For loans assigned to the Secured & Insured model, the second tier of security comes in the form of credit insurance over named Accounts Receivable (ARs). This means that Secured & Insured loans are secured on an all-assets charge over the business (tier one security) and, additionally, on the credit insured ARs (tier two security).

For loans assigned to the Secured & Assigned model, the second tier of security comes in the form of contracted recurring revenue assigned to ArchOver. This means that Secured & Assigned loans are secured on an all-assets charge over the business (tier one) and additionally against the future contracted recurring revenue generated by an established business (tier two).

For loans assigned to the Secured model, the loans have the same security package as Secured & Insured or Secured & Assigned, with the main exception being that, for positive reasons, the ARs are uninsurable (eg, government contracts) and the contracted recurring revenue is unassignable. For loans assigned to the Bespoke model, the loan may fall under Secured & Insured or Secured & Assigned but the difference is reflected in the rank of the charge taken over the business – this is the first tier of security. The rank of the charge is typically a second or third rank, typically transitioning to a first charge after three months have elapsed.

For loans assigned to the Research & Development Advance (RDA) model, investors lend against a Research & Development tax claim to HM Revenue & Customs (HMRC). This is funded over a short loan term of six months, where the debt is repaid with the successful tax claim made by HMRC. Please note: An R&D Advance loan is unsecured.

ArchOver has an exclusive partnership with Coface, the second largest credit insurer in the world, and uses their insights as well as Bureau van Dijk credit scoring and other resources when evaluating borrowers, before taking the appropriate underwriting and listing the loan on the platform. The borrower is subject to monthly reporting during the loan monitoring process – this will always include management accounts and details of how the secured assets are being maintained as well as other model-specific information (i.e., insurance cover levels for Secured & Insured).

2.2 'SECURED & INSURED'

ArchOver's Secured & Insured model is the platform's main offering, accounting for 63% of the loan book in 2017, and approximately 78% of all historic loans written. Investors' capital is secured against an all-assets charge over the business and, additionally, on the ARs of the business, which are credit insured. ARs are defined as the goods and services the business delivers to its customers. Typical ARs consist of the following:

- Trade debtors (i.e, work that has been completed and invoiced)
- Unbilled completed work
- Work-in-progress (WIP)

ArchOver looks for ARs that have a low client churn and a good history of clients paying their invoices to agreed terms. Typically, they focus on the trade debtors as this is the most liquid part of the ARs.

The maximum Loan-to-Value (LTV) of security provided is 90% against the trade debtors, plus 50% against the work-in-progress. Accordingly, the discounted security must always be equal to or greater than the loan value. The business's ARs that are taken as security on behalf of investors are transferred to ArchOver upon borrower default. The most common reason for a borrower not repaying their debt is because their customers have not paid them. If the customers making up the ARs have defaulted, insurance can be claimed. Investors may suffer capital loss if the LTV has significantly dropped and the insurer had not been previously notified. As ArchOver monitors their borrowers closely throughout the loan term, however, this is unlikely.

Key things to bear in mind with respect to the security of the Secured & Insured investment model:

- The loan itself is not insured – credit insurance only covers the selected ARs of the borrowing business
- Investors lend at 80% of the ARs' value to ensure a buffer of coverage
- The borrower's ARs must be maintained at 125% LTV at all times
- Typical ARs consist of trade debtors, although some unbilled completed work and WIP may also form part of the security
- Customers pay invoices via ArchOver's controlled bank account into the borrower's normal business account
- Interest is paid monthly into a segregated, investor-owned e-wallet, a service which is provided by Mangopay

Here is a graphic representation of the lending model.

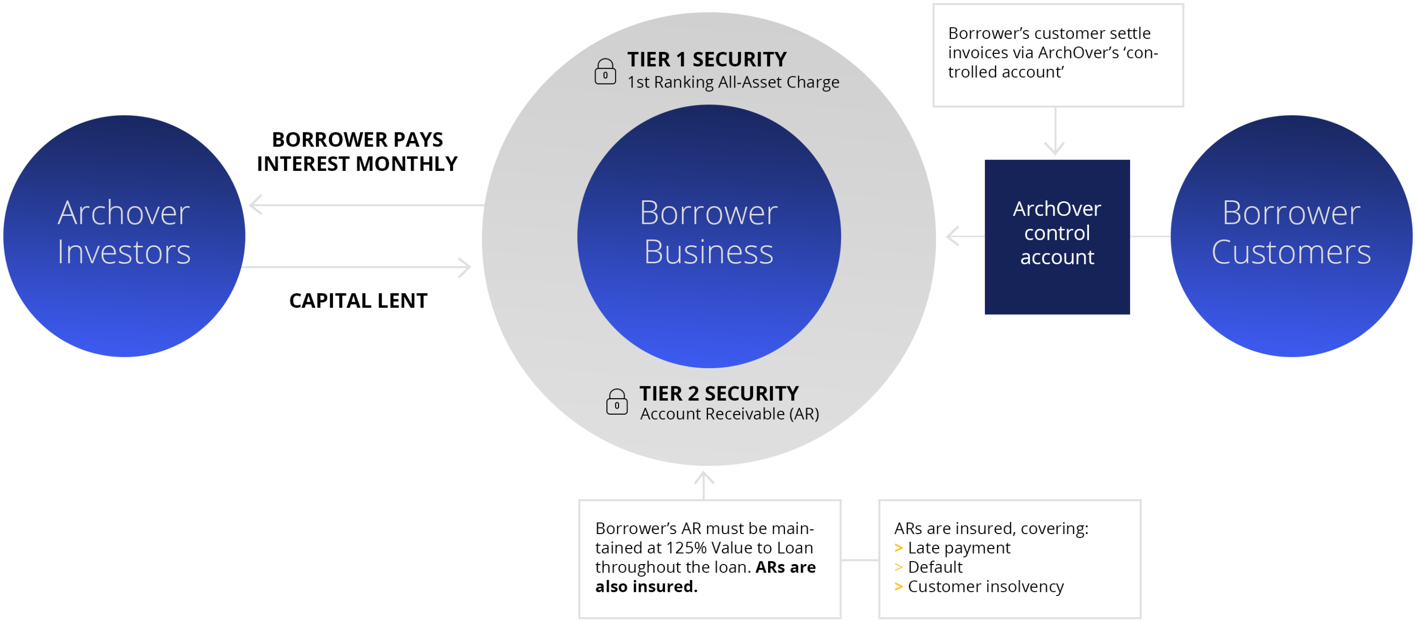


Figure 1. Secured & Insured Investment Model

2.2.1 INSURANCE

When a borrower meets the criteria of a Secured & Insured model, they confirm that insurance cover will be taken over their ARs. Accordingly, the insurance cover is equal to or greater than the value of the loan facilitated.

Insurance is taken over:

- Invoices raised
- Unbilled work

Insurance covers ARs for:

- Late payment
- Insolvency of customer

Insurance disputes could arise if:

- There's a dispute of service delivered
- The borrower fails to inform the insurer regarding a default in a timely manner as stipulated with the contract or the relevant insurer

As an example, if the borrower normally gets paid on 60 days by their customer, and after 180 days they have still not been paid and it is unlikely that they will ever get paid, the insurer is unlikely to compensate as the borrower has failed to let the insurer know of the payment issue within the prescribed time period. This is not a significant concern as historically non-payout rates for whole turnover insurance are low. Payout claims tend to be 95%+ successful. This, however, shows that diversification across a range of borrowers on the ArchOver platform is important, despite the presence of credit insurance.

INSURANCE PAYOUT

If a borrower's customer does not settle their invoices within the agreed terms, the credit insurer pays-out to ArchOver, who is named as the 'Loss Payee'. If the borrower itself is in default, ArchOver will facilitate repayment of the insurance proceeds to the investors.

If the insurance is called into question and the amount collected does not affect the LTV, however, then the funds are returned to the borrowing business. Should the LTV drop below the minimum required then the loan would be reduced to bring the LTV back up to the required level. The maximum liability specified in the insurance policy, which is the maximum amount claimable during the policy term, must always be equal to or greater than the loan value.

Borrowers are charged a percentage of their annual turnover for credit insurance cover; if the insurer is ArchOver's exclusive insurance partner Coface, this charge equates to 0.147 of their annual turnover. Borrowers will usually pay the insurance premium in 10 monthly instalments over each year that the policy is in force.

ArchOver is named 'Joint Insured' on the insurance policy alongside the borrowing business and can therefore represent investors. ArchOver will be notified if there are changes to the policy. If a borrower fails to renew their insurance policy, ArchOver will do so on their behalf and charge the borrower.

2.3 'SECURED & ASSIGNED'

Investors' capital is secured against an all-assets charge over the business and additionally on the future contracted recurring revenue of the borrower, with ArchOver taking assignment of the contracts. An example of future contracted recurring revenue could be monthly recurring fees for software subscription or licenses but does not include additional support. To be clear, ArchOver takes assignment of 'guaranteed' recurring revenue contracts only. Controlled bank accounts are in place to perfect the security provided by the all-assets charge.

Secured & Assigned is the second investment model offered by ArchOver, having launched in January 2017.

2.4 'SECURED'

ArchOver's Secured model differs from Secured & Insured and Secured & Assigned insomuch as credit insurance cover cannot be taken over selected ARs, and future contracts cannot be assigned to ArchOver. A first-ranking all-assets charge is still taken over the borrowing business, and controlled bank accounts are in place to perfect the security.

There are two options when underwriting a Secured loan:

1

OPTION 1

Investors can lend against the business' ARs with the maximum Loan-to-Value of 90% for trade debtors plus 50% for work-in-progress. Security is 125% the value of the loan. This differs from Secured & Insured loans as no credit insurance cover is taken over selected ARs. This is due to the fact that it is not necessary to insure the ARs because the business' customers include those with unique status (Government-funded and controlled) or self-insured entities.

2

OPTION 2

Investors can lend against the business's contracted recurring revenue, such as commercial/office rental income.
This differs from Secured & Assigned as no future revenue contracts are assigned to ArchOver. This is usually due to a non-assignability clause within the contract. A common instance of this would be where an SME has a contract with a large enterprise, such as HSBC or British Airways, and the security to be gained is through the quality of the contract and the customer rather than through its assignability.

2.5 'BESPOKE'

The difference between the Bespoke model and the main models (Secured & Insured and Secured & Assigned) lies in the ranking of the all-assets charge taken over the borrowing business – this is the first tier of security. After a short period of usually less than three months, a Bespoke loan will transition into either a Secured & Insured or Secured & Assigned loan. Controlled bank accounts are not in place for Bespoke loans. Bespoke loans are secured with a second- or third-ranking charge over the business. After a period of approximately three months, this charge transitions to a first-ranking charge, which is the normal level of first tier security taken on ArchOver loans.
While initially this security is weaker than loans assigned to the other models, investors receive a higher rate of return, reflective of the reduced ranking of the charge. The security is increased when the charge transitions.

The advantage for investors is that the interest rate received while the loan is secured on a reduced ranking charge will remain the same for the duration of the loan after the ranking has increased to a first ranking charge.

INVESTMENT CONSIDERATION

While a Bespoke loan expects to transition to S&I or S&A after a period of approximately three months, there are no guarantees, meaning the loan may not experience the same level of security that an S&I or S&A loan does. The trade-off is that investors can expect a higher rate of return than an S&I or S&A loan, given the reduced security at origination.

2.6 'RESEARCH AND DEVELOPMENT ADVANCE'

This new model is materially different to the other models. Loans assigned to the Research & Development Advance (RDA) model are unsecured and are made against a tax claim issued to the HM Revenue & Customs (HMRC), specifically a Research & Development (R&D) tax claim. These are short term loans of six months.

R&D grant quick facts:

- Businesses can claim cash repayments of up to 33% of the qualifying R&D expenditure
- It can take up to six months between a company making a claim and receiving payment from HMRC

The R&D Advance model helps businesses to bridge the gap between the claim being submitted and the cash repayments being made.

R&D Advance criteria:

- Businesses must demonstrate a history of successfully claiming R&D tax credits from HMRC, at least two years of successful claims need to have been made
- Businesses must have retained professional advisers to help in the preparation of the R&D tax credit claim

Businesses must demonstrate that they can remain solvent and continue to trade during the period of the loan until the tax claim repayments are made. When making the claim, the borrowing business must advise HMRC to pay all the funds claimed to an ArchOver controlled bank account. The directors of the company seeking the advance must warrant that the PAYE, CIS, VAT and CT payments are up to date (i.e, that the business has no overdue debts to HMRC) and will be maintained up to date throughout the period of the advance. Investors lend at approximately 70% of the claim amount to ensure a buffer of coverage if the claim amount were to reduce during the loan term.

INVESTMENT CONSIDERATION

These loans are unsecured. There are no guarantees that the tax credit claim will be successful, and the constituent parts of the claim may change during the loan term. Equally, HMRC may not pay out by the six-month point – the expected duration of the loan term. If this were to occur, investors would have the option of exiting the loan or refinancing it.

In short, R&D Advance loans offer the highest interest rate to investors due to the lowest level of security and therefore highest risk.

2.7 BORROWER MONITORING

For Secured & Insured loans, the borrowing business is required to provide monthly updates on the following:

- Aged debtors report
- Management Accounts vs projections
- Management/board report (ideally each month)

For Secured & Assigned loans, ArchOver monitors the business and assets each month, including:

- Churn (value, number of customers and percentage)
- Growth (value, number of customers and percentage)
- Management accounts versus projections
- Management/board report
- Profitability

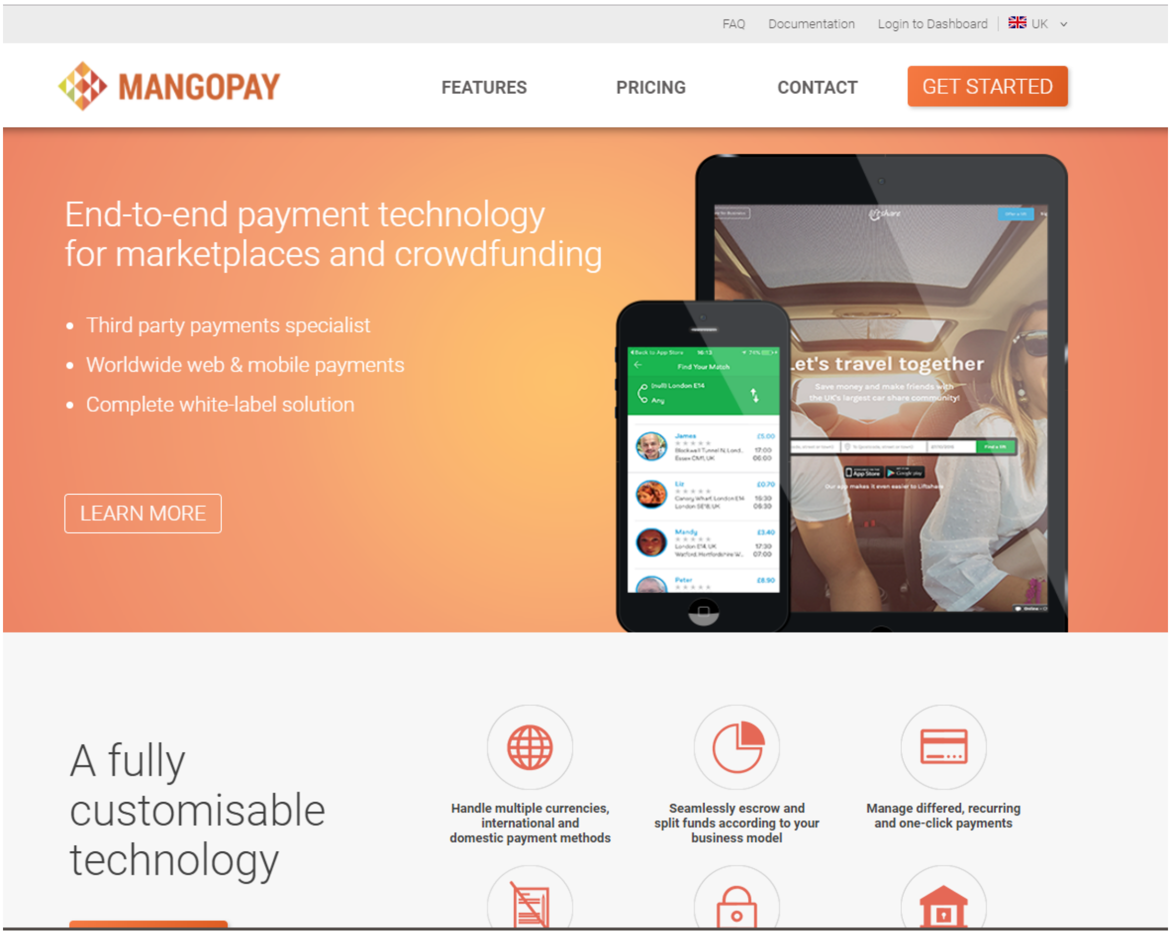
ArchOver also meets borrowers face-to-face during the evaluation process, three months after drawdown and then every six months during the loan term. This level of credit analysis and monitoring helps to ensure that any potential defaults are brought to attention in advance, enabling steps to be taken to mitigate a default.

2.8 MONEY FLOW

ArchOver uses Mangopay to provide the e-wallet system. Mangopay is owned by Credit Mutuel. All e-wallet users sign-up to the Mangopay Terms and Conditions to use their service.

When a loan has funded and terms agreed, investor money flows into an e-wallet set up in the investor's name. Barclays Bank provides the client account upon which the Mangopay e-wallet system sits. The Mangopay e-wallet system is ultimately a segregated account provided by Barclays Bank. Once the investor has pledged to a loan (or 'project'), the funds are transferred into a dedicated project wallet. They will not be released from this wallet to the borrower's wallet until the 14 day 'cooling-off' period has lapsed, which is the time between the loan funding and the borrower drawing down.

Where a controlled account is used for a borrower's debtor payments to flow through, the account is an undisclosed ArchOver account, i.e, 'ArchOver – Company A'. ArchOver has the right to 'freeze the account' and collect the value of the receipts and issue returns to investors should a default occur.



Source: http://www.mangopay.com

3.0 Considerations

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ZERO DEFAULT POLICY

Unlike other peer to peer (P2P) platforms, ArchOver operates a zero-default policy.
This approach is defined as:

Where a borrower has either: missed a capital payment; missed an interest payment; failed to report monthly as required and fails to rectify the issue within 14 days, they classify this as a 'Borrower in Default' and they will act to recover investors' capital.

If they believe a business is failing and they decide there is a material breach in the loan agreement by the borrower, they will act in the best interest of investors. This usually results in their appointing an Administrator to run the business. Where this action is taken they also classify this as a 'Borrower in Default'.

The platform does not forecast likely defaults as the platform has very limited data to base its calculations, having only had two recent defaults since it started. By way of comparison, however, many major P2P platforms do model future defaults and bad debt rates which can provide comfort for investors in the eventuality of a default.

MARKET RISK/ASSET VALUE DEPRECIATION

If a large number of the borrower's clients default simultaneously, the ARs (asset providing security) may drop, which could compromise the security on the loan, should insurance not pay out on customer defaults. This is highly unlikely, even in stressed economic conditions. Also, Coface, which provides credit insurance to 90% of ArchOver's Secured & Insured loans is the second largest global insurer and has a low non-payout rate.

INSURANCE DISPUTE (S&I ONLY)

If there is a dispute by the borrower's customer for services delivered or if the borrower fails to inform the insurer regarding a default within the prescribed period, a dispute over insurance payout could occur. ArchOver's strict monitoring process ensures that they are kept abreast of any potential customer defaults. Also, ArchOver aligns its Secured & Insured lending with markets which are performing well and are highly insurable.

ArchOver is the only lender in the UK to be part of the new Escalate partnership. Escalate is a fixed cost, commercial dispute resolution service for SMEs payable only on a successful outcome and with no upfront costs.

HAMPDEN GROUP RELIANCE

As ArchOver is 91% owned by Hampden Holdings Ltd there is a risk that, if Hampden became insolvent, it might result in ArchOver becoming insolvent. As of 31st December 2016, Hampden's net asset value was over £75m, indicating that this is perhaps unlikely in the immediate future.

INSURANCE LIMIT

90% of ArchOver's Secured & Insured loans have been insured by Coface. ArchOver has an insurance limit with Coface, which, if breached, would limit insurance payouts. Even in stressed economic conditions, this is not expected to be a serious risk.

DIVERSIFICATION

Investors manually select the loans they wish to fund. There are only ever a few borrowers listed on ArchOver at a given time, so diversification can be hard to achieve. Borrowers may also refinance their current borrowing with a new loan. ArchOver clearly identifies each company to avoid borrower concentration. Investors should, however, remain aware of the loans they have made across the platform, to avoid being exposed to a single borrower, albeit two different loans.

EARLY ACCESS

There is no secondary market on ArchOver enabling investors to sell or buy loans. Investors should therefore be prepared to commit to the duration of the loan term. ArchOver intends to provide a facility during the next year.

VARIOUS MODELS

While a variety of investment models means different types of investors can find loan opportunities that suit their appetite, it can also add complexity into the decision-making process. The vast majority of loans are secured and have mostly the same characteristics as the Secured & Insured or Secured & Assigned models. However, some loans may be unsecured – these are assigned to the R&D Advance model. It is important to research each loan and understand the difference in the models and not be distracted by increased rate of return, which actually reflects reduced security. Each loan is listed with a 'project description' which outlines full details of the security on offer, and it is recommended that investors read this description before pledging in order to make an informed decision.

Investors' capital would be at risk under extremely stressed economic conditions, resulting in approximately 50% of ArchOver's book defaulting and approximately 70% of borrowers' customers defaulting. This is not to say other risks don't exist, such as the reliance ArchOver places on Hampden Group and also the inability for investors to access their capital early.

4.0 Investing

4.1 INVESTMENT MODEL DETAILS

INVESTMENT MODEL 1	**Secured & Insured** • All-assets charge over business • Secured against Accounts Receivable (ARs) • ARs insured against late or non-payment • Credit analysis, monthly monitoring, controlled bank accounts
INVESTMENT MODEL 2	**Secured & Assigned** • All-assets charge over business • Secured against contracted recurring revenues • Guaranteed revenue contracts assigned to ArchOver • Credit analysis, monthly monitoring, controlled bank accounts
INVESTMENT MODEL 3	**Secured** • All-assets charge over business • Secured against ARs or contracted recurring revenue • ARs uninsurable/recurring revenue unassignable • Credit analysis, monthly monitoring, controlled bank accounts (except in the case of solicitors)
INVESTMENT MODEL 4	**Bespoke** • Initial lending with a view to becoming SI- or SA-based • Bespoke security, usually 2nd charge over business • Some features of S&I or S&A
INVESTMENT MODEL 5	**Research & Development Advance** • Unsecured short-term loan against R&D tax claim • For companies with history of successful R&D claims • Claim funds paid direct to ArchOver controlled bank account • R&D claim prepared by third party professionals
SECONDARY MARKET	There is no secondary market available to substitute loan commitments. This facility is to launch in 2018.
ADVERTISED RATE	6.25% - 10% p.a. (rate dependent on loan)

ACCOUNT TYPES	Individual Lender or Corporate Lender
IF ISA STATUS	Launching April 2018

TABLE 1: KEY INVESTMENT MODEL DETAILS

Interest rates are displayed as gross of expected defaults. The interest rate displayed with the loan is the rate the investor receives throughout the loan term with no additional charges. The interest rate is dependent on the details, including term, of each individual loan. Generally, the longer the term, the greater the rate of return. The more security, the lower the interest rate. The current average rate of return is 7.3% per annum, but the actual rate of return depends on the loan selected, so may be higher or lower than the average.

4.2 INVESTMENT DETAILS

LOAN TYPE	Businesses
MINIMUM INVESTMENT	£1,000. Pledges must be made in £1,00 multiples thereafter.
MAXIMUM INVESTMENT	There is no maximum portfolio size or limit on cash deposits. The maximum that can be invested in a single loan is 50% the value of the total loan amount. This ensures a balance of investors committed to each loan.
PAYMENT SCHEDULE	Over 90% of loans are interest-only loans with the principal repaid at the end of the term. Some loans are amortising with principal and interest repaid throughout the term, however, this is a very small portion of the overall loan book.
INVESTMENT SELECTION	The manual loan function enables investors to research and select individual loans to invest in, reviewing details about the business, the security coverage and use of funds. Investors are responsible for their own diversification. Loans are only available on the ArchOver marketplace. There is currently no built-in secondary market, although this is to follow in 2018.

TABLE 2: INVESTMENT DETAILS

4.3 HOW TO INVEST

Individual and corporate investors can open accounts with ArchOver. For individual investors, they can open a general investment account directly on the ArchOver website or contact the ArchOver team if they are interested in investing via their SIPP.

Once the investor has selected a loan in which to invest, they can commit ('pledge') the amount they wish to invest. To be able to invest in a loan, an investor must transfer the amount within four days of pledging. The fundraising period ends when the loan is fully funded. Investors' money is invested when the loan is fully funded.

When a project is fully funded, it enters a 'cooling-off' period of 14 days before drawing down, enabling investors to withdraw their commitments if they change their mind. Interest will not be paid during this period, only upon draw down of funds by the borrower.

A pledge can be withdrawn by an investor at any time prior to the loan being fully funded and also prior to the borrower drawing down funds.

4.3.1 INVESTMENT CRITERIA

Investors can either invest personally or through a corporation. This is signified in the registration process as 'Individual Lender' or 'Corporate Lender'. Know your customer (KYC) and anti-money laundering (AML) checks are performed on all investors and borrowers.

4.3.1.1 INDIVIDUAL

- 18 years or over
- UK bank account
- Permanent UK address

NB: Non-UK residents are permitted to lend, but only at ArchOver's discretion.

4.3.1.2 CORPORATE

- LLP with a permanent place of business in the UK
- Limited business
- UK bank account required

4.4 INVESTMENT REPORTING

Investors will be informed each month as interest payments are made into their ArchOver account. Within the investor's personal ArchOver account dashboard, they can view:

- 'My investments'
- Payments calendar
- Transaction report (downloadable)
- Loan report (downloadable)

4.5 INTEREST PAYMENT

The majority of loans (90%) are interest-only with the principal repaid at the end of the term. Once the borrower draws down, interest begins to accrue. Investors are paid interest each month.

All interest payments are made to investors gross of tax; therefore, they are responsible for declaring any tax liability to HMRC. An annual statement of gross interest paid is available through the investor's ArchOver account.

5.0 Operator

5.1 KEY INFORMATION

PROVIDER NAME	ArchOver
COMPANY NAME	ArchOver Limited
COMPANY NUMBER	07235487
FOUNDED	April 2010 incorporated; platform launched 2014
FCA PERMISSION	Fully authorised and regulated by the FCA
FCA NUMBER	723755
TELEPHONE	0203 021 8100
STAFF	19
E-MAIL	info@archover.com
WEBSITE	https://www.archover.com/
ADDRESS	5th Floor 40 Gracechurch Street, London, England, EC3V 0BT

TABLE 3: KEY OPERATOR INFORMATION

5.2 HAMPDEN GROUP

Hampden Holdings Limited is the parent company of ArchOver, with a 91% shareholding at 31st December 2017. The Hampden Group has been providing management and support services to the insurance industry for 30 years, has consolidated net assets in excess of £75 million and operates in a number of countries worldwide managing over £2.3 billion of client assets per year into the London market. The Group has over £2.3 billion under influence at the end of 2017 and turned a profit for the year ending 31st December 2016 in excess of £4.5 million.

Hampden diversified into providing members' agency services at the Lloyd's insurance market in the late '90s, and has grown to become the largest provider of members' agency services via Hampden Agencies Ltd.

More recently, the Group expanded into banking, with t**he launch of independent Edinburgh-based Hampden & Co, and into P2P lending, with an investment in ArchOver.** The Hampden Group's CEO is Stephen Harris, who is also ArchOver's Non-Executive Chairman.

5.3 COMPANY STRUCTURE

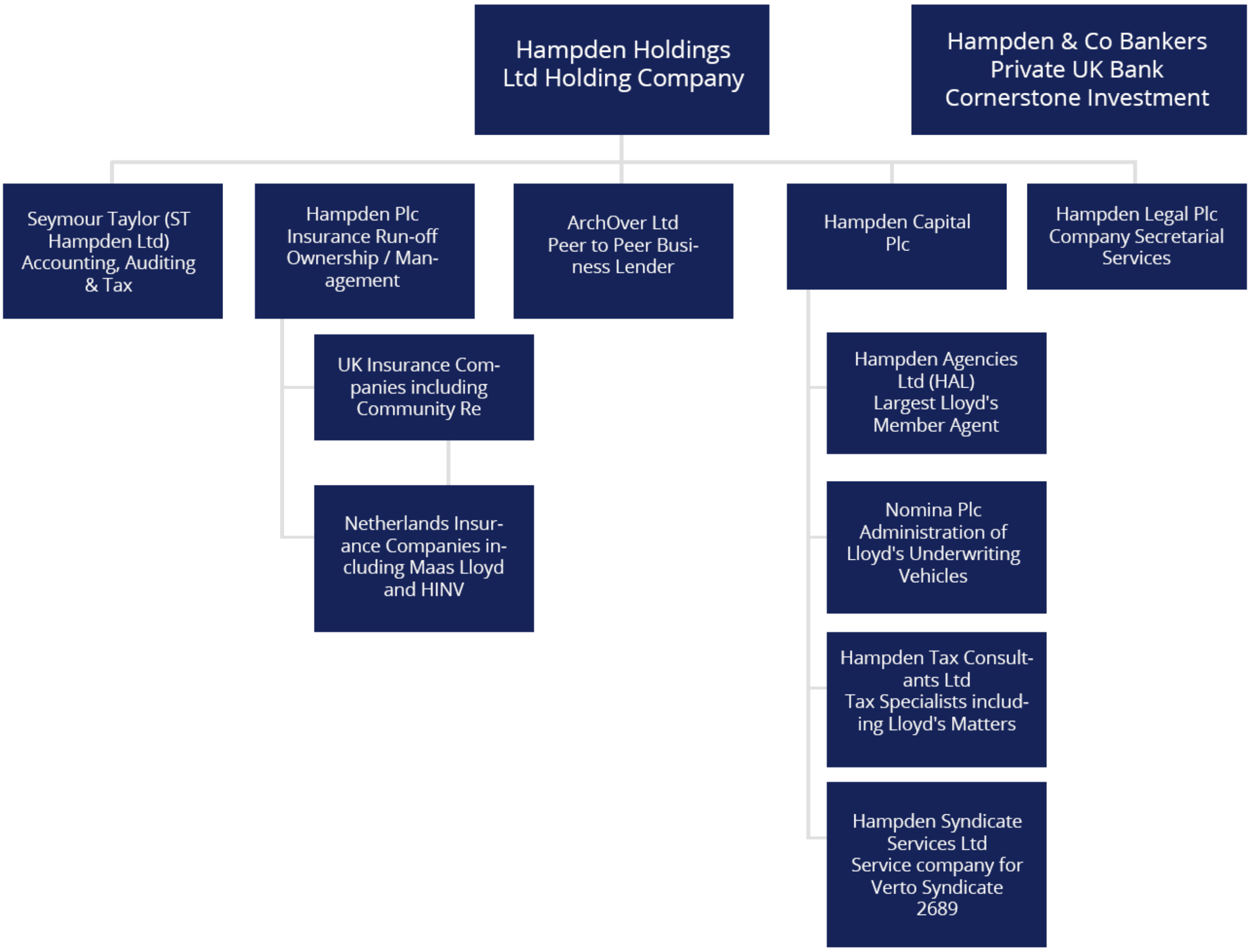

*FIGURE 2: HAMPDEN GROUP STRUCTURE OVERVIEW**

Hampden Group holds dozens of subsidiaries. The diagram above is an abbreviated version of their Group structure. Hampden has a 91% stake in ArchOver.

*Hampden Group has verified and approved this illustrative graphic.

5.4 FINANCES

ArchOver is in a period of early growth, having launched in 2014. The company is supported by its equity shareholders, to ensure working capital is provided allowing the business to continue on its growth trajectory.

	31/12/2016	31/12/2015
Revenue	£582,846	£266,837
Total Loss	-£1,137,492	-£1,095,609
Cash Position	£718,810	£316,155
Net Assets	£1,028,379	£178,034

TABLE 4: OVERVIEW OF FINANCIAL INFORMATION

While ArchOver is not operating in profit, the company's most recently filed accounts displayed growth in the key performance indicators, as set by the company's directors. In particular, the company has increased its number of investors 2.5x in little over one year, from 340 at the end of February 2017 to 833 by the end of February 2018. Revenue has almost tripled and, in 2017, ArchOver facilitated 105 loans to UK businesses. Along with many major P2P lending platforms who are not operating in profit, ArchOver is investing in development in order to achieve its ambitions within this maturing sector.

As stated in the company accounts, ArchOver was established to help companies get the funding they need to grow, while also providing investors with a secure place to lend their money and earn a real return. The platform's future developments are to enhance its current offerings and become profitable. In pursuit of this goal, ArchOver has almost halved its total losses from -£1,137,492 at the end of 2016 to -£600,284 at the end of 2017. ArchOver is also seeing strong growth in its lending volumes, having lent £15 million in 2016 and £31 million in 2017 alone; 2017 lending equates to approximately 50% of total lending all-time.

ArchOver is supported by its shareholders - namely majority shareholder, Hampden Holdings Ltd - which provides working capital and investment funding. Hampden increased its shareholding in the company from 75% in 2014 to 91% by end of 2016 and made a capital contribution of £2,375,000 in 2016. This has enabled the strong growth trajectory ArchOver has been experiencing in the past two years.

The greatest risk to ArchOver's stability is that its ultimate parent company, Hampden Holdings Ltd, reduces its stake in the company and stops providing the working capital to allow the platform to achieve its development plans.

5.5 PLATFORM FAILURE PLAN

ArchOver has put in place arrangements to ensure that, in the event of the platform becoming insolvent, investors would continue to receive interest and capital repayments. In the event of insolvency, ArchOver's parent company, Hampden Holdings Ltd, would step in to continue to service loans.

The Hampden Group are contractually bound to ensure ArchOver remains operational through the term of the loan book 'run-off' to manage and protect both investors' and borrowers' interests.

5.6 KEY PEOPLE

ArchOver began trading in 2014, having incorporated in 2010. Angus Dent is director and CEO, and Ian Anderson is director and COO.

The company is supported by a parent company, the Hampden Holdings Ltd, and is part of the Hampden Group. The Group's CEO, Stephen Harris, acts as the Non-Executive Chairman for ArchOver, and Bill Johnston, Hampden Group's Finance Director, is Non-Executive Director of ArchOver.

Below are details of key personnel.

	POSITION	DESCRIPTION
ANGUS DENT	CEO	As co-founder and CEO, Angus provides entrepreneurial leadership and is responsible for developing the overall policy and strategy of the business and ensuring its delivery by the management team. His approach is hands-on, engaging with borrowers, investors and strategic partners. Angus is a Chartered Accountant and former CFO and CEO of AIM- and TSX-listed technology businesses. Angus is a shareholder in ArchOver..
STEPHEN HARRIS	Non-executive chairman	As ArchOver's Chairman, Stephen provides strategic leadership to the board. He is also Group CEO of Hampden. Stephen, a Chartered Company Secretary, joined the Hampden Group in 1994. He is part of a team of senior entrepreneurs who have profitably increased the size and scope of the Hampden Group's activities and now leads that team as Group CEO.
HAMPDEN LEGAL PLC	Secretary	Hampden Legal provides typical Company Secretary duties, such as filings. They provide these services to all Group companies.

IAN ANDERSON	COO	As co-founder and COO, Ian is responsible for the delivery of policy and strategy across all operations of the business, as well as advising and supporting each department. His role is focused on maximising internal resources, delivering processes and external opportunities and suppliers to ensure the company delivers on its promised strategy and targets. Ian has founded, developed and sold several businesses prior to ArchOver including regulated equity research and digital marketing agencies. Ian is a shareholder in ArchOver.
BILL JOHNSTON	Non-executive Director	Bill is a Non-Executive Director of ArchOver and acts as the day-to-day link between ArchOver and Hampden. He focuses on the training and development of ArchOver's most prized asset, its people. Bill was Senior Partner at a mid-sized accounting practice which Hampden acquired ten years ago. At the time of the acquisition, Bill transferred across to Hampden and became Group Finance Director.
TED HURLOCK	Head of Technology	Ted was the third person to join the ArchOver team, taking responsibility for the delivery of the Platform which sits at the heart of ArchOver, matching investors and borrowers. He continues to head the team developing the Platform with responsibility for the development of technology, partner technology relationship management and Platform security. Ted is a veteran of the technology start-up space having pioneered the development of UK's first internet only banking portal back in 1999.
CHARLOTTE MARSH	Head of Credit	Charlotte leads the Credit Analysis and Reporting team and liaises with the Credit Committee. Charlotte and the Credit Team focus on analysing client documentation, drawing information from third party sources and making credit recommendations. She liaises with borrower management teams throughout the loan period as well as where further client review is required. Charlotte has over 15 years' experience in senior finance roles within businesses of many different types and industries and which have been funded in a variety of ways.
JERRY GILBERT	Commercial Director	Jerry leads the Commercial team. Passionate about building businesses, Jerry provides strategy and structure around ArchOver's growing commercial activities. He has over 20 years' experience building and managing high-performing commercial teams, putting the clients' needs at the centre of his team's activity.
BEV CHISLETT	Interim Marketing Manager	Bev leads the brand and marketing communications strategy. She is responsible for the development and implementation of brand vision, ensuring all communication channels are effectively generating investors and borrowers. Bev, with a commitment to corporate environmental responsibility, draws experience from her years in global professional services and, subsequently, supporting SMEs as an independent consultant. She is covering for Ashlee Dutton who is on maternity leave until November 2018.
MANNY SANGHERA	Group Accountant	Manny is Group Accountant working with both ArchOver and the Hampden Group. Manny qualified as a Certified Accountant in 1998 and has gained extensive experience from various roles held within the financial services, property, outsourcing, manufacturing and retail sectors.

TABLE 5: OVERVIEW OF KEY PERSONNEL

6.0 Performance

6.1 DEFAULT RATE POLICY

ArchOver does not incorporate a default assumption into the interest rate calculation. To-date, ArchOver has experienced two defaults and no losses. ArchOver defines a default as: a missed capital payment; a missed interest payment; failure to report monthly as required and failure to rectify the issue within 14 days. When a borrower is classified as being 'in default', ArchOver will act to recover the investors' capital. A loss is when the security has been insufficient to repay investors' money and capital losses have occurred.

The two Borrowers which are classified as 'in default' are currently in the recovery process. At the time of publication, an Administrator has been appointed and security is being reclaimed.

6.2 RECOVERY PROCESS

If the borrower misses a payment (interest or capital), fails to report monthly and fails to rectify the issue within 14 days, ArchOver classifies this as a 'borrower in Default'. Similarly, if ArchOver believes a business is failing and there is a breach on the loan agreement, the borrower will be classified as 'in default'. In both situations, an Administrator will be appointed. The Administrator will review options for the future of the company, which include ceasing to trade and closing down, restructuring, refinancing, or full or part sale of the business. ArchOver will work with the Administrator to maximise recoveries for investors and limit losses.

With regards to Secured & Insured loans, for any amounts not recoverable, ArchOver will enforce the insurance policy.

A Recovery Manager is appointed to represent the interest of the investors. Investors will receive regular updates and written monthly reports throughout the entire recovery process.

LOANS IN DEFAULT

There are currently two loans in default at the time of publication, April 2018.

ArchOver has suffered no capital losses to-date.

YEAR	CUMULATIVE LOAN BOOK TOTAL	AMOUNT IN RECOVERY	STATUS
2018	£62,464,000	£1.07 million	In recovery
2017	£58,619,000	£1 million	In recovery
2016	£26,790,000	£0	
2015	£10,315,000	£0	
2014	£1,530,000	£0	

7.0 Liquidity

7.1 HEADLINE FIGURES

AMOUNT LENT	£64,134,000
ASSETS UNDER MANAGEMENT	£31,682,000

TABLE 6: HEADLINE FIGURES AS AT 23RD MARCH 2018

7.2 AMOUNT LENT & ASSETS UNDER MANAGEMENT

ArchOver has facilitated in excess of £60 million worth of loans cumulatively over time, and £31.5 million in 2017 alone - this is almost four times the total lending for 2015, which was £8.69 million. The platform's lending total grew 106% between 2016 and end 2017. While this rate of growth may be difficult to replicate in an increasingly competitive marketplace, ArchOver maintains a rich pipeline of high value loans helping to support its continued growth objectives.

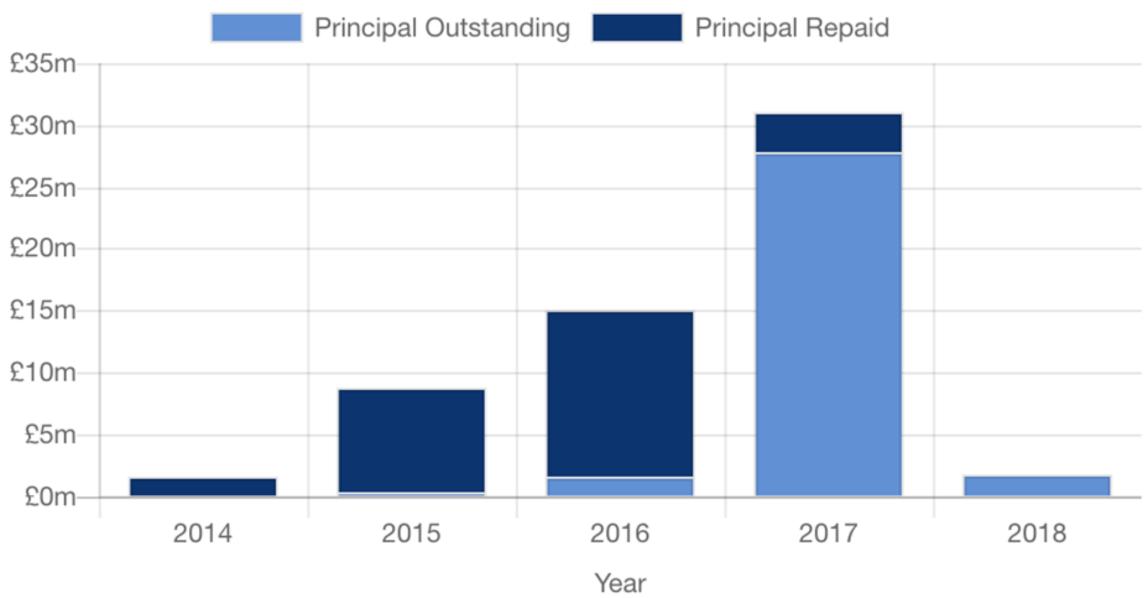

FIGURE 3: AMOUNT LENT & AUM

7.3 WITHDRAWING FUNDS

There is no secondary market on the ArchOver platform. Investors should therefore be prepared to commit to the full duration of the term. Interest payments are made into the investor's nominated bank account. As there is no auto-bid functionality on the platform, investors are not able to reinvest their interest automatically.

Investors can withdraw their funds during the 14 days 'cooling-off' period after they have pledged. An investor cannot withdraw their principal commitment after the loan has drawn down.

8.0 Borrower

ORCA

8.1 BORROWER ASSESSMENT

ArchOver borrowers must:

- Be a UK limited liability partnership or limited company
- Have a UK bank or building society account
- Pass ArchOver's in-depth credit analysis

The borrowing businesses are typically seeking debt-finance for working capital or to replace invoice financing, factoring or bank overdrafts. With ArchOver, borrowers can seek loans from £250,000 up to £15 million. Loan terms average 18 months for 2017 and range from three to 36 months. Businesses can borrow through ArchOver multiple times.

ArchOver's Credit Team performs detailed credit analysis on every loan before approving and listing on the platform. ArchOver's Loan Management team monitors the business and its assets throughout the loan period on a month-by-month basis, giving them advanced warning if a default or change to repayment should be expected.

SECURED & INSURED BORROWERS

For Secured & Insured loans, the borrowing business must be at least two years old, supplying goods and/or services with a proven business model. The borrower must take out a credit insurance policy, usually provided by Coface, with ArchOver as the joint-insured and loss payee.

SECURED BORROWERS

The criteria for, and profile of, the borrower is largely the same as borrowers assigned to the S&I or S&A models. The difference is primarily that the borrower's ARs are uninsurable or their contracts are unassignable. This may be due to the fact that it is not necessary to insure the ARs because the borrower's client-base includes those with unique status, such as the Crown Estate, the British Government, the British Armed Forces and the NHS. Alternatively, it could be that the borrower's recurring revenue contracts include a non-assignability clause, for example where an SME has a contract with a large enterprise. In this instance, the security to be gained is through the quality of the contract and the customer rather than through its assignability.

BESPOKE BORROWERS

The criteria for, and profile of, the borrower is the same as borrowers assigned to S&I loans. The difference is primarily that the loan is originated with a lower ranking all-assets charge over the business, usually because the incumbent provider of finance has the first all-assets charge. After a short period, the all-assets charge transitions to first-ranking and the loan will fall under assignment of the S&I model.

SECURED & ASSIGNED BORROWERS

For Secured & Assigned loans, the businesses must be established and profitable with loyal clients and a low churn or high replacement record. Their contracted recurring revenue must be assignable to ArchOver.

RESEARCH AND DEVELOPMENT ADVANCE BORROWERS

R&D Advance borrowers are typically early stage businesses, with strong growth potential and a record of at least two years of successful tax credit claims. These businesses are typically technology orientated with innovative product sets and revenue generating. Additionally, the company must have retained professional advisers to help in the preparation of the R&D tax credit claim.

8.2 WEIGHTED BORROWER RATES

As can be seen below, the average weighted borrower rate has increased from 5.99% to 7.47% in three years. It has become more economical for ArchOver to target higher value, higher rate loans enabling the platform to continue the detailed credit analysis they conduct on borrowers.

Year	Min Borrower Rate	Average Borrower Rate	Max Borrower Rate
2014	5.00%	5.99%	6.75%
2015	6.00%	7.02%	8.00%
2016	5.75%	7.14%	10.00%
2017	5.50%	7.47%	10.00%

TABLE 7: WEIGHTED AVERAGE BORROWER RATE

8.3 WEIGHTED LOAN AMOUNTS

The advertised 'start from' loan amount is £250,000 on the ArchOver platform. This is up from £100,000 in early 2016, suggesting the platform is keen to increase its lending to borrowers seeking more significant sums of money to more established businesses. While the average loan size has increased over time – from £158,000 in 2015 to £307,000 in 2017 – the platform is keen to write loans of even higher values. ArchOver has a pipeline of loans in the £1 million + range which again reflects their desire to list loans of higher value with higher rates to account for the level of credit analysis performed on each loan.

Year	Min Loan Amount	Average Loan Amount	Max Loan Amount
2014	£100,000.00	£170,000.00	£300,000.00
2015	£45,000.00	£157,981.82	£1,000,000.00
2016	£30,000.00	£226,938.46	£1,300,000.00
2017	£50,000.00	£307,072.92	£2,400,000.00

TABLE 8: WEIGHTED AVERAGE LOAN SIZE

8.4 BORROWER TYPE BREAKDOWN

The pie chart below illustrates the diverse range of sectors ArchOver investors have gained exposure to over time. ArchOver does not deliberately align its credit writing with specific sectors, but rather evaluates businesses on a case-by-case basis. As it happens, this has led to a significant portion of borrowers falling within the following sectors: financial services (brown), construction (green), health-care (blue), software (light grey) and engineering (dark pink).

What is useful for investors is the broad range of sectors available. This means that they can curate a diverse portfolio of loans on the ArchOver platform, ensuring they are not concentrating exposure on one sector. The availability of loans listed by ArchOver could restrict this benefit, however.

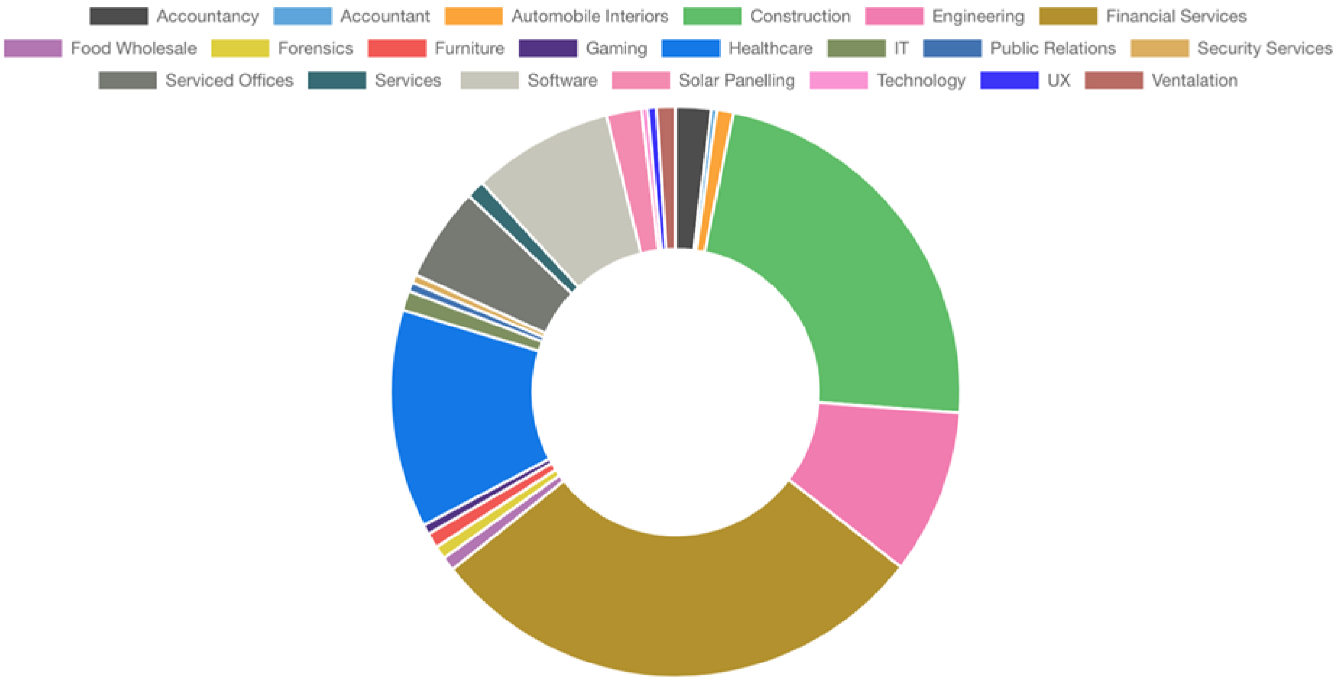

FIGURE 4: BORROWER TYPE BREAKDOWN ALL-TIME

8.5 GEOGRAPHIC BORROWER BREAKDOWN

Like ArchOver's agnostic position on which sectors to lend to, the platform does not prioritise or preclude lending in certain regions of the UK. Again, each business is taken on a case-by-case basis. ArchOver has facilitated lending to businesses across 27 different areas in the UK. Even so, there is an element of geographical concentration, which is perhaps best signified by the fact that 22.2% of the loan book is attributed to Birmingham based borrowers, and 11% is attributed to London-based borrowers. Bear in mind, ArchOver operates out of London and has pre-meetings and follow-up meetings with all borrowers at borrowers' premises.

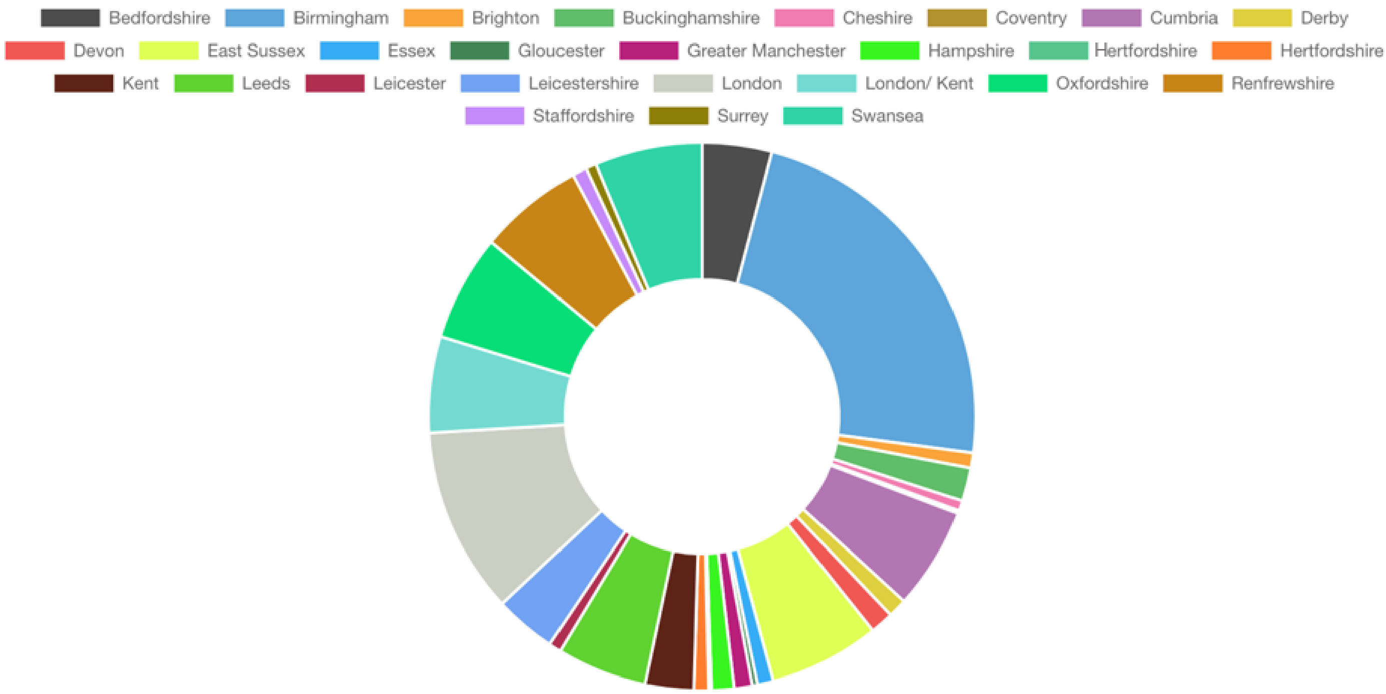

FIGURE 5: GEOGRAPHIC BORROWER BREAKDOWN ALL-TIME

9.0 Conclusion

ArchOver is a peer-to-peer lending platform that has taken elements of traditional underwriting and innovative investing to provide an offering which can provide attractive returns to investors, with multiple levels of security.

ArchOver has positioned security at the forefront of its investment models, with most loans offering two-tiers of security and, arguably, a third level of security, in the form of the strict monthly monitoring.

63% of ArchOver loans are assigned to the platform's main investment model, Secured & Insured. It should be noted that some loans assigned to the Bespoke model will transition over to the Secured & Insured model over time, so in reality, this figure is expected to increase. Secured & Insured loans have performed well to-date, returning investors rates in the region 7-9% per annum, with zero losses. ArchOver's secondary model, Secured & Assigned, has performed similarly but accounts for a significantly smaller portion of the loan book. As the platform continues on its course of development, the ArchOver team expects to increase the number of Secured & Assigned loans proportionate to Secured & Insured, and increase the value of the Secured & Assigned loans. ArchOver has added three new models to its roster: Secured, Bespoke and Research & Development Advance. The two former models have similar characteristics to S&I and S&A loans, but the R&D Advance is unsecured short-term lending to early-stage, innovative businesses. These new models enable investors to gain exposure to the type of investment and level of risk they desire, and also helps investors curate a portfolio comprised of a diverse range of loans within a diverse range of sectors.

The platform has forged strong partnerships with globally-established brands since launching in 2014. ArchOver's parent company, Hampden Holdings Ltd, is a leading provider of services to the insurance market and has a 91% stake in ArchOver. Hampden is both an investor in ArchOver (the company), and an active investor over the ArchOver platform, investing on the same terms as every other investor. At the same time, ArchOver has an exclusive partnership with global credit insurer, Coface, which insures 90% of the platform's Secured & Insured loans and has a strong payout record.

While these strategic partnerships provide a strong base for ArchOver to grow, and may instill confidence in investors, there are always risks when investing across P2P lending platforms. ArchOver, like all P2P platforms, is not covered by the Financial Services Compensation Scheme, so there is a risk that investors could lose some or all of their money with no guaranteed compensation. Moreover, most major P2P lending platforms forecast loan defaults and bad debts, enhancing their credit modelling and highlighting potential turbulence for investors down the line. ArchOver does not estimate defaults or bad debt rates due to limited historical data, which is perhaps indicative of its strong underwriting processes and partnerships, but may be something which causes concern for some investors; late payments, defaults, bad debt, after all, are inevitable. Another consideration for investors is the lack of a secondary market on the platform, precluding early access to money. ArchOver is scoping a secondary market at present, but while most major players in the industry offer this function of selling and buying loans, ArchOver does not.

As with all investing, there are some clear considerations for investors which should be accounted for when performing due diligence. Nonetheless, ArchOver has strong performance to-date, strong backing, and secure offerings.