

## Diligence Report: Initial Coverage

1 May 2021

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### London Investment Bonds plc: Secured Loan Notes

*Next Wave has accorded an indicative B+ short-term rating with a neutral outlook to the Notes being issued by London Investment Bonds plc under its secured loan note programme. This assessment is based solely on information provided by the Issuer or its agents, and on publicly available documents. Next Wave provides no assurance as to the accuracy of such information. This report is a private company research report intended for the use of the requesting client only. It is not a credit rating, and may not be used for regulatory purposes.*

#### SUMMARY

- London Investment Bonds plc is a company domiciled under the laws of, and operating in, England and Wales (the “Issuer”, company number 12294118). The Issuer has established a secured loan note programme, under which it is issuing two types of notes, with the first bearing an annual coupon of 10% with interest payable quarterly in arrears, and the second bearing a coupon of 12% with interest payable at the end of the term (the “Notes”). Both types of Notes have a term of 3 years.
- The proceeds of the Notes are used to finance the purchase of residential properties in and around London. The Issuer seeks to identify and purchase property that can be acquired at a significant discount to market value by providing immediate cash payment to sellers. The Issuer relies upon its management team to originate investment opportunities.
- Issuer has appointed Blue Water Capital Limited (“Security Trustee”) to act on behalf of creditors with respect to security interests over Issuer’s assets. However, the noteholders’ security interest may be subordinated to senior financing in some cases.
- The residential property market in the UK and the Issuer’s business model is well established. Market conditions are also favourable, with rapid home price increases and high transaction volumes in recent months. On the other hand, the market is highly competitive, and Issuer’s management and affiliates also invest in residential properties, raising significant conflict of interest concerns. No financial accounts are available at this time, and Issuer has also declined to provide additional information to supplement its offering documents. Furthermore, the Issuer is not regulated in the UK despite potentially engaging in regulated activities, such as promoting investments in the UK.
- Accordingly, we deem the Notes to be speculative grade investments. The coupon on the Notes is commensurate with the nature of the investment risk. We take a neutral view on the outlook for our rating.

Security Class	Rating	Outlook
Secured Loan Notes	B+	Neutral

Sector: Real Estate

Country: United Kingdom

Use of Proceeds: Residential Real Estate

Currency: GBP

Min Amount: £10,000

Max Amount: £5,000,000

Term: Three Years

	Interest Schedule	Coupon
Option 1	Quarterly	10%
Option 2	End of Term	12%

#### ISSUER

London Investment Bonds plc  
England & Wales public limited company  
CRN: 12294118

6th Floor 60 Gracechurch Street, London,  
United Kingdom, EC3V 0HR

#### SECURITY TRUSTEE

Blue Water Capital Limited

#### LEGAL ADVISORS

Shakespeare Martineau LLP

#### COMPANY SECRETARY

SGH Company Secretaries Limited

#### ISSUER ACCOUNTANTS

Tax Assist Accountants

#### ACCOUNT BANK

Unspecified

#### RATING DATE

1 May 2021

#### NEXT REVIEW DATE

1 December 2021

#### NEXT WAVE CONTACT DETAILS

123 Buckingham Palace Road, 2nd Floor  
London, SW1W 9SH  
UNITED KINGDOM



## OVERVIEW

The Issuer purchases and sells residential property in and around London. The United Kingdom in general, and London in particular, has one of the most mature and liquid real estate markets in the world, backed by a world-class legal system and internationally respected courts. The large size of the market, together with high levels of investment and transaction volumes, have helped create a well developed ecosystem of ancillary businesses connected to the residential real estate market. This includes businesses, such as the Issuer, which offer to purchase properties at a discount to market value for immediately available cash.<sup>1</sup> Issuer may then either (i) immediately resell the property for a profit if the opportunity arises, (ii) hold the property for a period of time until a suitable buyer can be found, or (iii) invest in renovating or otherwise developing the property before resale in order to maximise its resale value.

Issuer's business model is capital intensive. While a proportion of its capital needs can be met by secured mortgage financing, the Issuer must still commit significant amounts of its own capital in order to purchase and hold properties. Issuer intends to use proceeds from the sale of Notes to finance its capital commitments.

Issuer is, however, just one special purpose company within a much larger group of companies all involved in the same business of investing in and trading London residential property. Issuer's affiliates and management team have also raised, or are seeking to raise, capital in the US and Israel and elsewhere using a variety of strategies. In particular, Issuer's affiliates have sought to raise financing through the issuance of digital tokens which would be backed by property assets and tradeable on a blockchain.

Market conditions are currently favourable due to rapid home price appreciation and high transaction volumes in some regions. As such, we anticipate that Issuer will have ample opportunities at this time to implement its investment strategy and find opportunities to make rapid returns on residential property transactions. However, if the amount of capital that Issuer and its affiliates seek to deploy is very large, this could reduce the availability of high-quality investment opportunities available to Issuer.

Potential investors should be mindful of a number of risks. Primary among these are the existence of extensive conflicts of interest in corporate structure, Issuer's lack of operating history (and accordingly, a reliance on transaction data relating to properties held by other persons or entities), lack of financial disclosures, the lack of verifiable data on disclosures that have been made, and the fact that Issuer is unregulated in the UK and elsewhere. These issues are discussed in more detail below.

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<sup>1</sup> See, e.g., <https://goodmove.co.uk/>, <https://www.fastsaletoday.co.uk/>, <https://www.propertyrescue.co.uk/>, <https://swift-movenow.co.uk/>



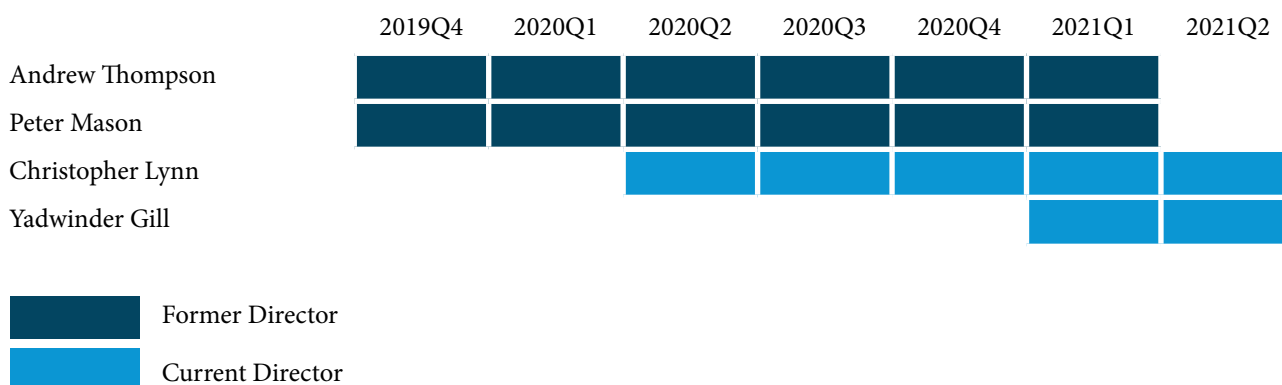
**COMPANY**

The Issuer’s registered address is 50 Sloane Avenue, Chelsea, London SW3 3DD. Its registered office address is 60 Gracechurch Street, London EC3V 0HR. Issuer’s website lists office locations in London and New York. The Issuer’s website is <https://www.londonchelsea.com>.

The Issuer was incorporated on 19th November 2019. However, London Chelsea Limited, a company that was until 21 May 2020 the parent of the Issuer, was incorporated on 28 August 2012, and some business activities of the Issuer may have previously been conducted by London Chelsea Limited or another affiliate.

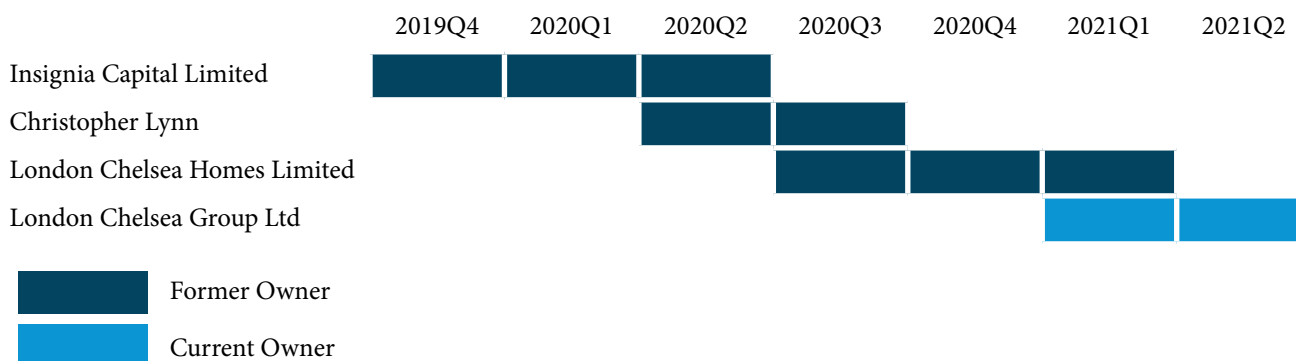
The Issuer has two directors, Christopher Lynn (appointed 21 May 2020) and Yadwinder Gill (appointed 12 February 2021). The original directors, who served until 22 February 2021, were Peter William Harradine Mason and Andrew Michael Thompson. Issuer’s offering documents indicate that Mr. Mason is the Chairman and Mr. Thompson is the President of the Issuer.

**Director History**



**Ownership History**

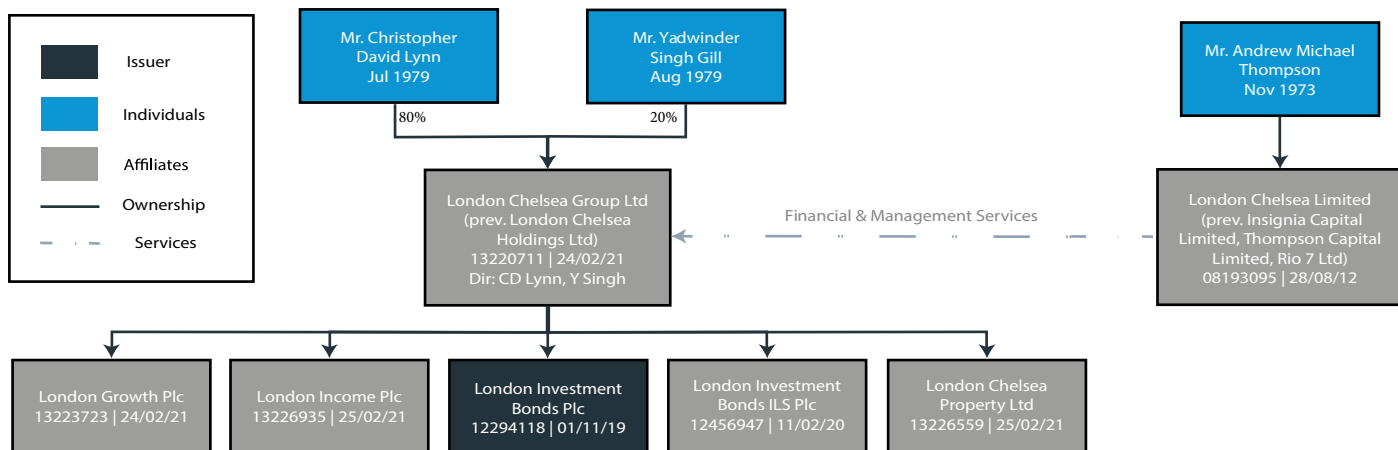
Issuer is wholly owned by London Chelsea Group Ltd., another UK company of which Mr. Lynn and Mr. Gill are directors. London Chelsea Group Ltd. is controlled by Mr. Lynn, who holds at least 75% of the voting shares of the company. The Issuer is a wholly owned special purpose vehicle (“SPV”) of London Chelsea Group Ltd (“Parent”).





**Corporate Structure**

Issuer is part of a complex, larger group of companies in the UK, US and Israel. This group includes, but is not limited to, affiliates owned by the same immediate corporate parent, parallel parent-subsidary structures owned by the same ultimate beneficial owner, and related company groups with no apparent shared ownership. Part of the known corporate group structure is shown below.



All ownership interests are 100%, unless otherwise shown. London Chelsea Limited provides financial and management services to the group of six companies of which London Chelsea Group Ltd is the parent.



## MANAGEMENT

### *Andrew Thompson*

President

DOB: November 1973

Director: 1 November 2019 - 22 February 2021

Mr. Thompson was the original ultimate beneficial owner of the Issuer, but is no longer a controlling ultimate shareholder. Mr. Thompson controls some of Issuer's affiliates, and likely maintains significant management control or influence over Issuer.

### *Christopher David Lynn*

Chief Executive Officer

DOB: July 1979

Director: 21 May 2020 - Present

The Issuer's information memorandum describes Mr. Lynn as the Founder of London Bonds, but he was neither an owner nor director of the Issuer when it was incorporated. However, according to public records, he is now the ultimate beneficial owner of the Issuer.

Mr. Lynn has over 20-years of Real Estate investment and development experience. He manages the international agents of the business, and is the first point of contact for investors looking to make investments in the London property market.

### *James Manto*

Head of Asset Management

Mr. Manto's role is to manage and refurbish the Issuer's properties after they've been purchased. He is also responsible for deciding whether to rent or sell properties after refurbishment, and working with real estate agents to market properties for sale.

### *Peter Mason*

Chairman

DOB: April 1944

Director: 1 November 2019 - 22 February 2021

Mr. Mason is the Chairman of the Issuer, but since February 2021 he does not sit on the Board of Directors.

He is an accountant by training, and remains a shareholder and director at Courtel Communications, a legal information services company.

### *Yadwinder Gill*

Head of Real Estate

DOB: August 1979

Director: 12 February 2021 - Present

Mr. Gill is in charge of identifying and buying the properties on behalf of the Issuer, generally seeking to purchase properties at a substantial discount to market value.

Mr. Gill has over 25-years' experience of buying and selling investment properties in London, and also personally owns a large portfolio of properties in London.

### *Ramon Vega*

Head of Investments

Mr. Vega is a former professional football player who moved into finance after retiring from football. He managed Vega Swiss Asset Management, a hedge fund with over \$1 BN in assets, but the fund suffered losses and was forced to liquidate.

Mr. Vega's role seems to involve helping the issuer to raise financing through the sale of digital tokens. He may also have general responsibilities relating to raising capital for Issuer and its affiliates.



**INVESTMENT STRATEGY**

The Issuer purchases and sells residential property in and around London, with a focus on offering immediate cash in order to purchase properties at a 25-40% discount to market value. Issuer will then either (i) immediately resell the property for a profit if the opportunity arises, (ii) hold the property for a period of time until a suitable buyer can be found, or (iii) invest in renovating or otherwise developing the property before resale in order to maximise its resale value.

Rapid resale of properties is based on the existence of a large pool of investors willing to buy properties from Issuer at a 10% discount to market value, allowing Issuer to still make gross gains of 15-30% on a transaction.

Properties that are refurbished before sale are generally sold through normal real estate agent channels, at market price. The process can take around six months, and in some cases yield higher returns than could have been achieved from a rapid resale. Properties that are held in portfolio may be refurbished, and then refinanced with a buy-to-let mortgage to free up capital for other transactions.

For example, a property with a market value of £400,000, purchased at a 40% discount for £240,000, might be quickly resold at a 10% discount of £360,000, forgoing £40,000 of value in exchange for a rapid turnaround. See figure 1. Alternatively, the property might be refurbished at an expense of £40,000 and sold for £500,000 after six months to give a gross gain of £220,000. See figure 2. Finally, a refurbished property could be refinanced with a 75% mortgage and retained, giving an immediate cash return of £95,000, and unrealised equity of £125,000. See figure 3.

fig. 1

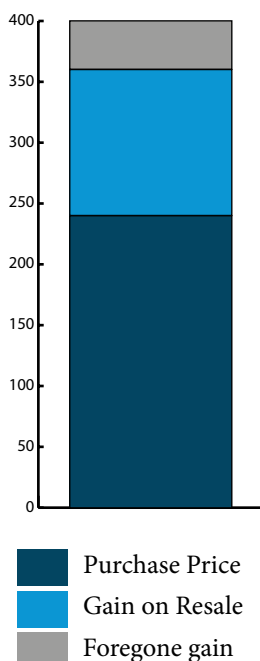


fig. 2

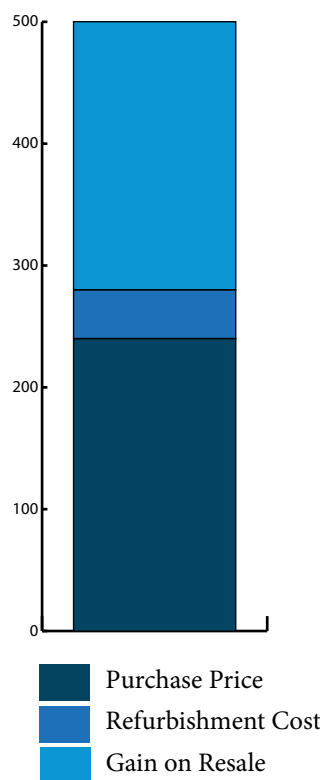
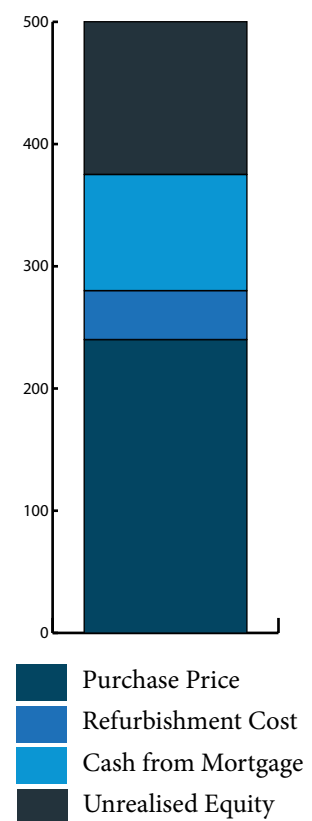


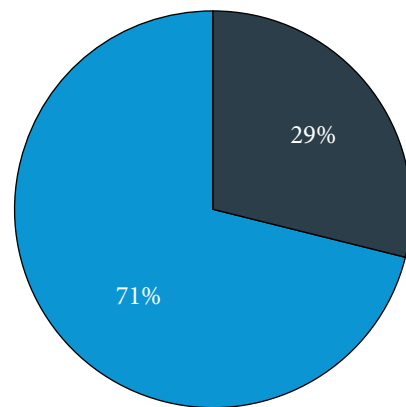
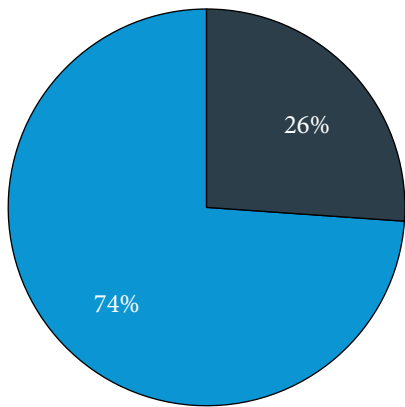
fig. 3





**PORTFOLIO**

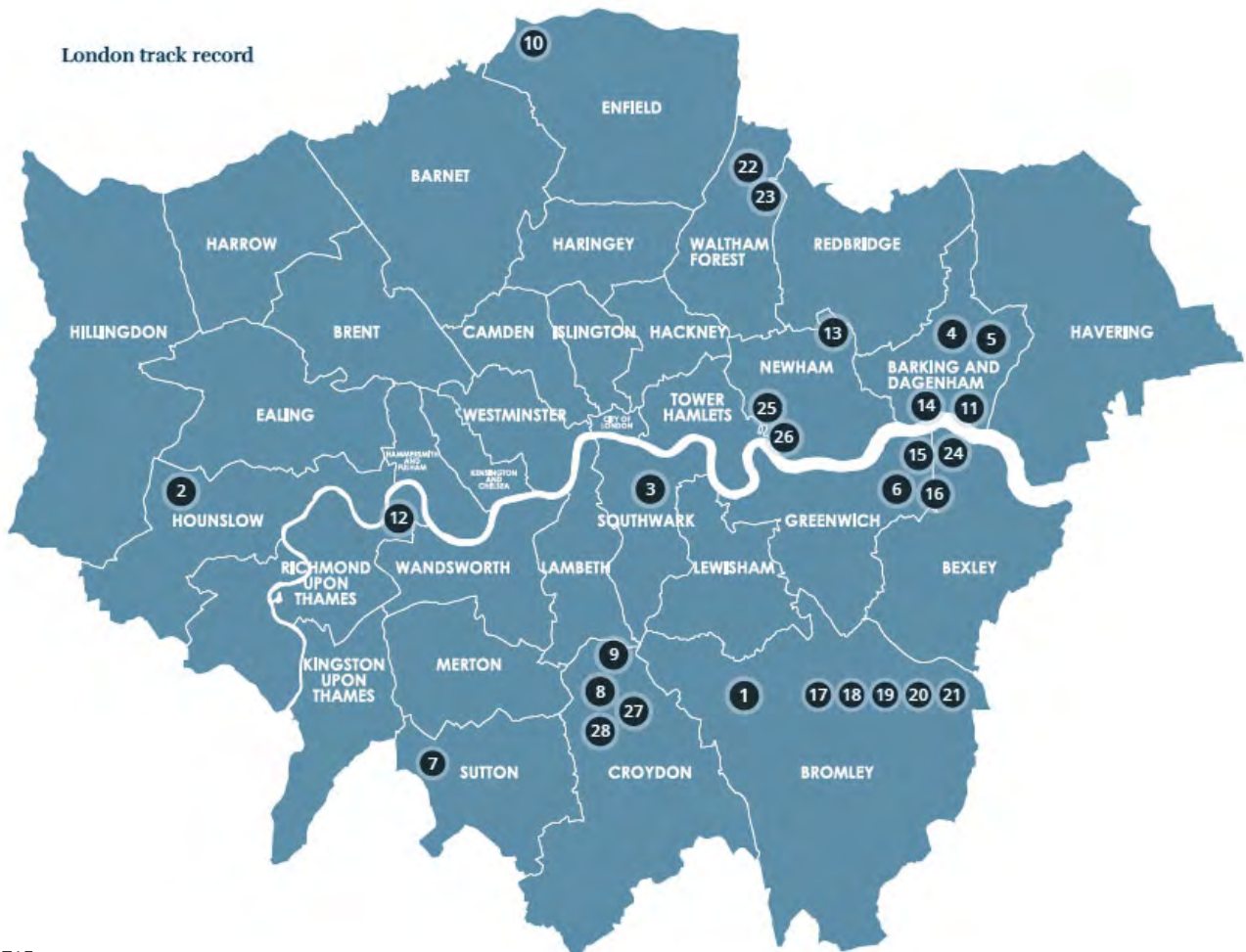
Issuer has not provided data concerning property actually purchased, retained and sold by it. Instead, the provided portfolio information reflects transactions entered into by Issuer’s managers and/or affiliates. Properties are either in London, or the surrounding region (Home Counties). Some have been sold, while others have been retained, presumably by the Issuer.



London Home Counties

Retained Sold

London track record



# London Investment Bonds Plc Diligence Report



#	Purchase Price	Gross Profit	Sale Price/Value	Address	Location	Type
1	£140,000	£40,000	£180,000	BLAKWOOD COURT, SE20 8NS	London	Sold
2	£160,000	£100,000	£260,000	CHAPEL RD, TW3 1UL	London	Sold
3	£280,000	£132,500	£412,500	CULLODEN CLOSE, SE16 3JH	London	Sold
4	£185,000	£56,000	£241,000	BECONTREE AVENUE, RM8 2UA	London	Sold
5	£188,000	£42,000	£230,000	BECONTREE AVENUE, RM8 2UB	London	Sold
6	£171,000	£70,000	£241,000	BIRLING ROAD, DA8 3HS	London	Sold
7	£252,000	£38,000	£290,000	MONTECUTE ROAD, SM4 6QJ	London	Sold
8	£260,000	£50,000	£310,000	PEMDEVON ROAD, CR0 3QQ	London	Sold
9	£200,000	£61,000	£261,000	RAWNSLEY AVENUE, CR4 4BX	London	Sold
10	£210,000	£100,000	£310,000	RIPON ROAD, N9 7RE	London	Sold
11	£203,000	£40,000	£243,000	MAPLESTEAD ROAD, RM9 4XH	London	Sold
12	£145,500	£99,500	£245,000	CLARENCE LANE, SW15 5QA	London	Sold
13	£250,000	£350,000	£600,000	SHREWSBURY ROAD, FOREST GATE, E7 8AL	London	Sold
14	£188,000	£100,000	£288,000	SHAW AVENUE, BARKING, IG11 0UD	London	Sold
15	£95,000	£75,000	£170,000	TANHURST WALK, ABBEY WOOD, SE2 9SN	London	Sold
16	£155,000	£36,000	£191,000	NORTHRIDGE ROAD, DA8 3QH	London	Sold
17	£78,000	£154,000	£232,000	PALACE GROVE, BR1 3HB	London	Sold
18	£78,000	£87,000	£165,000	PALACE GROVE, BR1 3HB (FLAT A)	London	Sold
19	£78,000	£72,000	£150,000	PALACE GROVE, BR1 3HB (FLAT B)	London	Sold
20	£78,000	£102,000	£180,000	PALACE GROVE, BR1 3HB (FLAT C)	London	Sold
21	£78,000	£122,000	£200,000	PALACE GROVE, BR1 3HB (FLAT D)	London	Sold
22	£160,500	£289,500	£450,000	LYNE CRESCENT, WALTHAMSTOW, E17 5HY	London	Held
23	£160,500	£289,500	£450,000	LYNE CRESCENT, WALTHAMSTOW, E17 5HY (FLAT A)	London	Held
24	£170,000	£140,000	£310,000	SLADE GREEN ROAD, DA8 2JE	London	Held
25	£250,000	£350,000	£600,000	ABBOTS ROAD, E14 0NF	London	Held
26	£125,000	£147,000	£272,000	HAYDAY ROAD, E16 4AS	London	Held
27	£130,000	£20,000	£150,000	REAR OF SAXON ROAD, SE25 5EH	London	Held
28	£130,000	£35,000	£165,000	REAR OF SAXON ROAD, SE25 5EH (FLAT A)	London	Held
29	£140,000	£170,000	£310,000	CARRINGTON ROAD, SL1 3RH	Home Counties	Sold
30	£175,000	£23,000	£198,000	ARMSTRONG CLOSE, SS17 7BX	Home Counties	Sold
31	£260,000	£52,500	£312,500	THE FOUR ACRES, CM21 9LJ	Home Counties	Sold
32	£125,000	£96,000	£221,000	AYNSLEY GARDENS, CM17 9PD	Home Counties	Sold
33	£195,000	£23,000	£218,000	GOLDINGHAM AVENUE, IG10 2JF	Home Counties	Sold
34	£390,000	£810,000	£1,200,000	GROVEHURST ROAD, SITTINGBOURNE, ME10 2RB	Home Counties	Held
35	£62,500	£79,500	£142,000	SALISBURY ROAD, CHATHAM, ME4 5NW	Home Counties	Held
36	£62,500	£87,500	£150,000	SALISBURY ROAD, CHATHAM, ME4 5NW (FLAT A)	Home Counties	Held
37	£95,000	£255,000	£350,000	LONDON ROAD, GRAVESEND, KENT, DA11 9LZ	Home Counties	Held
38	£95,000	£85,000	£180,000	LUTON ROAD, CHATHAM ME4 5AE	Home Counties	Held
<b>Total</b>	<b>£3,472,500</b>	<b>£1,927,000</b>	<b>£5,399,500</b>			



## SECURITY

Issuer has engaged Blue Water Capital Limited (“Security Trustee”) to act on behalf of investors with respect to investors’ security interests over Issuer’s assets. Investor has issued a debenture containing a floating charge to the Security Trustee over the assets of the Company, and a fixed charge over each portfolio property. In the event of a default, the floating charge will convert into a fixed charge over all the assets of the Issuer, and the Security Trustee will be able to enforce the security and take control of Issuer’s assets in order to sell them for the benefit of the noteholders.

However, the security does not guarantee repayment of the Notes. Individual portfolio properties may be subject to senior security interests which will take priority over those of the noteholders. Furthermore, the Company’s assets have not been valued, and there is no assurance that they could be sold at a price sufficient to repay all creditors in full. Finally, Company may raise additional financing secured on the same basis as noteholders, which could result in there being insufficient secured assets to repay all secured creditors.

## MARKET CONDITIONS

Market conditions are favourable due to rapid home price appreciation and high transaction volumes in some regions. Interest rates are extremely low, and transaction volumes have been boosted by a high appetite for relocation as a result of changing living, working and commuting patterns as a result of the COVID-19 pandemic. Furthermore, a temporary reduction of property stamp duty in place until 30th June 2021 has further accelerated transaction volumes to extremely high levels. However, the market for UK residential real estate property is extremely competitive, which may limit Issuer’s ability to meet its investment objectives.

## FINANCIALS

### *Accounts*

The Issuer’s initial financial accounting period ended on 30th April 2021. Interim accounts or other information relating to the Issuer’s revenues or costs have not been provided. As such, it has not been possible to issue an opinion on the Issuer’s profitability or cash flows, and therefore its ability to service its obligations on the Notes. The Issuer’s accountants are Tax Assist Accountants, an accounting firm specialising in services for small and medium businesses.

### *Operating Expenses*

Based on the nature of the Issuer’s business model, major operating costs are likely to be transaction costs arising from purchasing and selling properties, financing fees and interest expense on debt, marketing commissions paid in connection with the issuance of debt or other securities offerings, and staff payroll.

### *Capital Structure*

The Issuer’s capital structure is not known. The Issuer’s Investment Memorandum states that “[t]he current issued share capital of the Company is 1 Ordinary Share of £1 in the ownership of London Chelsea Group Ltd.”<sup>1</sup> However, as a public limited company (“Plc”), the Company is required to have a minimum share capital of £50,000 with at least 25% of this fully paid up. No information about the Issuer’s outstanding debt, or other balance sheet financials, has been made available.

<sup>1</sup> Investment Memorandum dated 1 March 2021, p21



## RISK FACTORS

### *Information Memorandum*

The Issuer's information memorandum dated 1 March 2021 ("IM") lists a range of risk factors associated with a potential investment in the Issuer. Such risk disclosures are intended to protect the Issuer and its representatives from liability in the event of a future claim of misrepresentation, and so should be read carefully as a reflection of the true risks inherent in the investment.

In particular, the IM notes that "[i]nvestment in Loan Notes of this nature is speculative and involves a higher degree of risk than other types of investment" and that "[i]t will not be possible to sell or realise the Loan Notes until they are repaid by the Issuer." This is a standard investment risk disclosure for a speculative, illiquid investment.

The IM also states notes that despite the fact that the Notes are secured against Issuer's assets, "assets have not been valued and the presence of this security does not guarantee that investors in the Loan Notes will be repaid at maturity or receive their interest payments in full." The IM goes on to state that the security interest of noteholders ranks below employees, certain administrators and senior debt providers, and further debt issuance secured on an equal or senior basis may reduce the assets available to repay noteholders in the event of default.

### *Conflicts of Interest*

Issuer's business structure raises serious conflict of interest concerns. Issuer has specifically set up its business as a series of distinct special purpose vehicles (SPVs) in order to segregate investor groups based on location, investment parameters, or other criteria. Issuer's management and affiliates are also actively involved in trading and investing in residential property in the London region. As such, there is a risk that management will prioritise their personal portfolios or some privileged investors groups over other investor groups when allocating investment opportunities. While Issuer states that available pool is larger than their realistically available capital, presumably available opportunities can be ranked, and will likely go to management first. In addition, where some investor groups have stipulated investment conditions for their portfolios, this may mean that properties meeting those criteria are allocated to those investor groups first.

Related party transactions between managers and SPVs are also possible, and could result in the opaque re-allocation of gains between management and investors at management's discretion, or the offloading of underperforming assets to some investors including noteholders.

### *Lack of Operating History and Verifiable Data*

Issuer was formed around 18 months ago, but no information has been provided concerning its actual portfolio or financial performance since that time. As such, there is insufficient historic data to determine whether Issuer has been able to meet its investment objectives or its anticipated returns. The absence of financial information also makes it impossible to assess Issuer's ability to service its debts. The indicative portfolio data that has been provided in the offering documents is not independently verifiable, and as such no assessment can be made as to its accuracy, or whether it is representative of any actual historical performance.

### *Regulatory*

The Issuer is not regulated by any regulatory agency in the UK or elsewhere. As such, any investment would not be covered by the Financial Ombudsman Service or the Financial Services Compensation Scheme



("FSCS"). Issuer has clearly made such disclosures in its offering documents, and it would appear that Issuer is complying with obligations not to offer investments to the general public. However, the Financial Conduct Authority ("FCA") in the UK has issued a warning that they believe that Issuer is engaged in the unauthorised offering of investments in the UK. The warning states that Issuer is not registered with the FCA, and any investment in Issuer would not be subject to the protections of the Financial Ombudsman Service or the FSCS. Investors based elsewhere are also unlikely to have any regulatory recourse in the event of non-performance by the Issuer.