

WELLESLEY FINANCE PLC

Annual Report and Financial Statements

For year ended 31 December 2017

Company Number 08331511

WELLESLEY FINANCE PLC

Report and financial statements
For year ended 31 December 2017

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WELLESLEY FINANCE PLC

Officers and advisers

Directors

Andrew Turnbull
Garret Graham Wellesley

Registered Office

6th Floor, St Albans House, 57/59 Haymarket, London, SW1Y 4QX

Company Registration Number

08331511

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Bankers

Barclays, Leicester, Leicestershire, LE87 2BB

Lloyds, Threadneedle Street, London, EC2R 8AY

Legal Advisers

GRM Law, 1 Bedford Row, London, WC1R 4BZ

Memery Crystal LLP, 44 Southampton Buildings, London, WC2A 1AP

WELLESLEY FINANCE PLC

Strategic report For year ended 31 December 2017

Overview

Wellesley Finance Plc (the “Company”) is principally engaged in the provision of finance for medium sized developers to enable them to build mid market homes in England and Wales. These are managed by separate origination teams, supported by a credit committee and loans administration functions.

Development loans will tend to have a typical duration of up to 24 months, and will encompass both major refurbishments and ground up development. Borrowers are usually medium sized experienced developers with loans from £2m to £20m in scale.

Funding for the business is sourced primarily through the Wellesley Group, in particular Wellesley & Co Limited that provides funding from its own peer to peer customers. The Company supplements this funding through two main areas on its statement of financial position:

1. Minibond – This is on balance sheet funding raised for terms ranging one to seven years.
2. Listed ISA Bond – An Irish stock exchange ISA eligible product.

Operating and Financial Review

The Company’s total income was £16.3m (2016: restated £13.2m). The Company’s administrative expenses for the year were £5.8m (2016: £9.3m). The Company incurred net impairment charges on loans and advances to customers of £10.4m (2016: restated £1.3m) and incurred £0.3m (2016: £2.1m) of write-offs of loans and advances to customers. The Company generated a profit before tax of £0.7m (2016: restated profit before tax £0.9m).

Business Review

The Company’s total income increased by £3.1m to £16.3m (2016: restated £13.2m). The main driver for the increase in total income was the increase in the drawn loan book from £163m in 2016 to £178m in 2017. The mix of total income has changed in 2017. Due to greater funding of loans coming from bond investments, the net interest income has increased as the Company generates more income for acting as principal. In the prior year, the Company had a greater proportion of its funding derived from Peer to Peer (“P2P”) investments, hence the higher income earned from fees and commission in 2016.

The Company’s administrative expenses decreased £3.5m to £5.8m (2016: £9.3m). This was driven by a lower management charge of £3.0m (2016: £5.4m) from Wellesley & Co Limited which covered the marketing, promotional and other operating costs of the peer to peer platform. Staff costs have reduced by £1.4m to £1.8m (2016: £3.2m) due to lower headcount during the year.

The Directors are pleased with the ongoing performance for the entity. This is after a specific assessment of the entire book for provisions, which identified the requirement for additional net provisions of £10.4m (2016: restated £1.3m). The Company incurred realised losses of £0.3m (2016: £2.1m) on two loans during the year. Lifetime losses to 31 December 2017 as a percentage of facilities originated since inception was 1.4%, slightly higher than 1.3% in 2016. The Directors anticipate this figure to fall as the incidence of loan losses falls and the loan portfolio grows with more stringent and selective credit policies.

The Company benefits significantly from the wider Wellesley Group and its ability to obtain funding to enhance its business and product offering.

WELLESLEY FINANCE PLC

Strategic report (Continued)
For year ended 31 December 2017

Key Performance Indicators (“KPIs”)

The KPIs of the business at 31 December 2017 are: Gross Loan Book - £178m (2016: £164m) of which £67.4m (2016: £37.0m) is held on the statement of financial position and £110.6m (2016: £126m) is held off the statement of financial position. The portion of gross loan book held off the statement of financial position is funded by Peer to Peer investors. Net interest margin (“NIM”) ⁽¹⁾ – 9.2% (2016: restated 8.1%), impairment of loans and advances, net - £10.4m (2016: restated £1.3m) and profit before tax % - 4.1% (2016: restated profit before tax % - 6.7%).

The Gross Loan Book increased by £15m primarily due to strong originations in Q4 of 2017. There was an improvement in the NIM to 9.2% from 8.1% in the prior year due primarily to improved lending and the Company’s cost of capital being lower than prior years.

The KPIs represent important measures for the directors to monitor the performance of the business. The directors review and consider these KPIs on a monthly basis, and in board meetings, in order to assess the performance. This enables decisions to be made on the direction of the business.

(1) NIM – total income/gross loan book as above

Principal risks and uncertainties

The principal risks to the Company are as follows:

- Credit risk

The Company’s principal business activity is providing residential property loans. For each loan, the Company obtains a legal charge on the assets it is lending against. It is acknowledged that the property market is cyclical and that the Company is operating in a period of the cycle which would be considered as relatively stable with inflating property prices which has resulted in favourable conditions for lending. The board regularly reassesses its view on the risks presented by the market and also the overall stage of the property cycle.

Contractual commitments represent agreements entered into but not advanced as at 31 December 2017.

Collateral, based on the underlying development asset, held in relation to secured loans is capped at the amount outstanding on an individual basis. Total collateral in respect of loans and advances held at 31 December 2017 was £594m (2016: £391m). Where the amount outstanding on a loan and advance exceeds the collateral and is underperforming, the Company will consider including a provision in the financial statements.

- Market risk

The Company is exposed to the risk that the value of, or income arising from, the Company’s assets and liabilities change as a result of changes to interest rates.

The Company’s treasury function is responsible for managing the Company’s exposure to all aspects of interest rate risk. The Company’s Asset and Liability Committee (“ALCO”) regularly convenes to consider reports on all aspects of interest rate risk.

- Reputational risk

The Company has a high level of sensitivity to reputational risks, particularly those which could potentially result in the Company’s retail lenders losing confidence in the stability and security of the organisation and ultimately the safety of their investment. It should be noted that a reputational event could be triggered by another participant of the industry and whilst not as a direct result of an issue within the Company’s business, customers could have concerns about the peer to peer industry in general.

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Strategic report (Continued)
For year ended 31 December 2017

Principal risks and uncertainties (continued)

- Information technology and security

The peer to peer platform is an online business and therefore the information technology and information system security is paramount for the successful running of the Company. The following risks are specifically identified:

- Attack to take over accounts and attempt to withdraw funds;
- Attack to steal customer data; and
- Distributed denial of service (“DDOS”) rendering the Company’s systems temporarily inaccessible.

All of these issues are tested by a regular penetration testing service that the Company has performed on information systems.

- Operational and people risk

As the Company grows and average loan sizes reduce, the Company faces increased operational risk within the lending and fund raising areas of the business. The greatest area of risk relates to the process of releasing advances to borrowers, registering charges on security and managing the repayment/collections of all loans. The Company identified this as an area of concern more than a year ago and has put software in place to manage much of these processes. The software is in the process of being implemented after a period of development that needed to occur in order to ensure it was fit for purpose.

The Company has invested significantly in its people and will strive to ensure that its retention rates are high. The Company has however identified certain key members of staff which would be challenging to replace either as a result of there being scarcity of skillsets or the role requiring familiarisation with a number of internal processes. Management has aimed to mitigate these risks through:

- extended notice periods;
- introduction of a number of documented procedure manuals and simplification of processes through the introduction of software; and
- introduction of an employee incentive scheme which includes medical, critical illness cover, pension etc.

- Liquidity Risk

The Company’s sources of funding are all retail peer to peer/bond market correlated and as such there is less diversification than what would be considered the norm for a financial services institution. The Company does hold asset terms which are approximately half the duration of its liability terms and therefore does not operate with a funding mismatch. However, it should be noted that the Company does have an unfunded forward liability on its development facility future drawdowns which it expects to fund with the repayment of loans which are due to be repaid.

The Company monitors its forward cash flow position, however could potentially have difficulty in making its future drawdowns if a number of loans were to be delayed in repayment. This being said, this risk is mitigated by the fact that failure to fund the future drawdowns is unlikely to result in a breach of our obligations albeit the development would be delayed which would increase financing costs and ultimately reduce credit quality.

The main risks arising from the Company’s financial instruments are detailed in note 22.

Andrew Turnbull
Director

Approved by order of the Board on

WELLESLEY FINANCE PLC

Report of the directors For year ended 31 December 2017

The Directors present the Strategic Report, Directors' Report and the financial statements of Wellesley Finance plc for the year ended 31 December 2017. The directors of the Company during the year were those listed on page 2. The Company has indemnity insurance for all directors of the Company.

Results and dividends

The Company profit before taxation was £0.7m (2016: restated profit before tax of £0.9m).

The directors do not recommend the payment of a final dividend (2016: £Nil).

Principal activities

The Company is engaged in the provision of finance for medium sized property developers in England and Wales.

Principal risks and uncertainties

The principal risks and management, including financial risk management are detailed in the Strategic Report on page 3.

Future developments

The future developments of the Company are to continue to grow enduring relationships with high quality borrowers which will enable the Company to drive a robust and sustainable loan portfolio.

Post balance sheet events

During the period from the year end date to the signing of the financial statements, there was a deterioration in the performance of the non-performing loans. This resulted in additional provisions of £1.3m being recognised in the Company which excludes the third party's share of the impairment provisions.

On 27th February 2018, Wellesley Finance plc bought back £5,192,000 of the Irish Listed ISA bonds. The remaining balance outstanding after this buyback was nil.

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Report of the directors *(continued)*
For year ended 31 December 2017

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union and applicable law.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Auditors

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

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

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

It was resolved to appoint BDO LLP as auditors. It is proposed to re-appoint BDO LLP as auditor at the Annual General Meeting.

Andrew Turnbull
Director

Approved by the Board of Directors and signed on behalf of the Board on

WELLESLEY FINANCE PLC

Independent auditor's report For year ended 31 December 2017

Opinion

We have audited the financial statements of Wellesley Finance Plc for the year ended 31 December 2017, which comprise the statement of comprehensive income, statement of financial position and statement of changes in equity and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

WELLESLEY FINANCE PLC

Independent auditor's report *(continued)* For year ended 31 December 2017

Matter	Response
<p>Carrying value of loan portfolio</p> <p>The company provides financing to medium sized property developers. The loan portfolio is included in the statement of financial position at a value of £55.1 million at 31 December 2017. Management values these loans by forecasting the future cash flows of the loan. There is, however, a significant risk that such forecasts may not be accurate and that the loans may not be recoverable. (Refer to note 11 in the financial statements).</p> <p>The company also sold portions of the loans to a securitisation vehicle called Wellesley Secured Finance Plc ("WSF") during the year. These loans were derecognised from the company's portfolio. We considered there to be a risk that loan balances to be recognised had been incorrectly calculated.</p>	<p>We substantively tested the loan balance at year end by:</p> <ul style="list-style-type: none"> • Agreeing the portions of the loans that were sold and derecognised to transfer certificates and bank statements; • Assessing the movements in the loans by agreeing them to supporting information such as loan agreements, drawdown certificates and redemptions; • Recalculating the effective interest rate revenue that forms part of the balance of the loan at the year-end. <p>Management carries out a detailed assessment for each loan to estimate the expected future cash flows related to the loan and portfolio of loans to determine if a loan is impaired. We reviewed management's assessment of the carrying value of all the loans by:</p> <ul style="list-style-type: none"> • Confirming the existence of the security over the loans such as the 1st charge over the property development and right of receipt over the sales of the completed property development; • Reviewing Quantity Surveyor reports at inception of the loan and progress reports close to the year-end to ensure the security is sufficient as the development progresses to cover the loan exposure and a sufficient loan-to-value ratio is maintained; • Agreeing and assessing the data and inputs used in management's assessment of the future cashflows in determining the impairment for distressed loans.

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Independent auditor's report (continued)
For year ended 31 December 2017

<p>Revenue recognition - income on owned portfolios</p> <p>Revenue in respect of the loan portfolios is considered a significant risk as revenue calculations are complex. Revenue is calculated in relation to the portion of the loan remaining after certain loans were sold to Wellesley Secured Finance Plc by using an effective interest rate method as described in the accounting policies in note 3.1.</p>	<p>We substantively tested the revenue calculations to ensure the mathematical accuracy and consistency of input data with the calculation of the carrying value of the loan portfolios. We:</p> <ul style="list-style-type: none"> • Agreed the source data such as interest rate, capitalisation periods, term and a range of fees to the relevant loan contracts; • Agreed the sale of the loans to WSF to the loan documentation and the relevant percentage stake sold of the original loan; • Agreed a sample of current year drawdowns, fees and full and partial redemptions to bank statements and loan documentation in respect of the original loan; • Recalculated nominal interest to ensure the final redemption at the end of the lifetime of the loan is accurate as this and the other inputs above are used to calculate the effective interest rate that is applied to the loan balance to recognise revenue. • For loans part sold to WSF, recalculated the portion of the remaining loan attributable to the company and the relevant portions of cash flows attributable to the company. • Evaluated and recalculated the Internal Rate of Return ("IRR") for the original loan and the allocation of the return to the sold portion of the loans as it is used to apply the Effective Interest Rate ("EIR") to recognise revenue over the life of the loan.
<p>Principal versus agent</p> <p>The company obtains part of its funding from its peer-to-peer investors and in combination with its own funds lends these out as asset backed property developer loans.</p> <p>Revenue from the loans is apportioned between interest earned on the company's portion of the loan where they are the principal and agency fees in respect of the peer-to-peer investor portion where they act as an agent. Loans are only recognised on the statement of financial position where the company act as the principal. This is a complex calculation which depends on correct identification of loan balances where the company acts as agent and is an area where we consider there to be a high inherent risk of misstatement.</p>	<p>We substantively tested the inputs and calculations for the split of the income between principal and agent by:</p> <ul style="list-style-type: none"> • Assessing the standard contract with the peer-to-peer investor to determine whether an agency relationship exists. • Assessing the proportions of the loans and advances and borrowings recognised on and off balance sheet as principal and agent respectively, and ensuring these have been appropriately accounted for and disclosed. • Recalculating the monthly apportionment to determine the accurate split between the company's income and agency fees earned. • Agreeing the inputs to the monthly apportionment calculations to the various audited sections for the total EIR revenue, investor interest and testing the existence of the peer-to-peer investment. • Agreeing the portion of the peer-to-peer investments and relevant portion of the loan portfolio that is not recognised on the company's statement of financial position.

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Independent auditor's report *(continued)* For year ended 31 December 2017

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality: £839,000 (2016: £443,000)
Basis of determining materiality: 1.0% of total assets

Performance materiality: £545,350,150 (2016: £310,100)
Basis for performance materiality: 65% of materiality

We considered that an asset based measure is appropriate as the asset base is considered to be a key financial metric for users of the financial statements. Performance materiality was set at 65% of materiality and was used to determine the financial statement areas that are included within the scope of our audit and the extent of testing performed during the audit. Performance materiality is applied at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We agreed with the Board of Directors that we would report to them all individual audit differences identified during the course of our audit in excess of £16,780.(2016: £8,860) We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The company is a single entity operating from one location in the UK. We conducted a full scope audit of the financial information.

Other information

The directors are responsible for the other information set out on pages 6 to 7. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the 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.

WELLESLEY FINANCE PLC

Independent auditor's report *(continued)* For year ended 31 December 2017

Matters on which we are required to report by exception

In the light of the knowledge and understanding of company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters which we are required to address

Following the recommendation of the group audit committee, we were appointed by the board of directors to audit the financial statements for the 18-month period ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the period/years ending 31 December 2015 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the board of directors.

WELLESLEY FINANCE PLC

Independent auditor's report *(continued)*
For year ended 31 December 2017

Use of our report

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

Leigh Treacy (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London,
24 September 2018

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

WELLESLEY FINANCE PLC

Statement of profit and loss For year ended 31 December 2017

	Notes	2017 £	2016 £ Restated
Interest income		7,875,977	1,742,117
Interest expense		(3,141,625)	(2,172,821)
Net interest income		4,734,352	(430,704)
Fee and commission income	5	17,416,339	21,029,598
Fee and commission expense	5	(6,507,422)	(8,088,876)
Net fee and commission income		10,908,917	12,940,722
Other fee income		700,170	694,503
Total income		16,343,439	13,204,521
Net income/(expense) from derivatives and other financial instruments at fair value through profit or loss		878,599	(1,221,394)
Total operating income		17,222,038	11,983,127
Administrative expenses	6	(5,763,322)	(9,284,734)
Impairment of loans and advances, net	13	(10,436,225)	(1,312,296)
Write off of loans and advances		(341,010)	(2,114,550)
Amortisation	15	(18,166)	(16,076)
Profit/(loss) from operations		663,315	(744,529)
Bank interest		1,142	3,158
Share of profit in joint venture arrangement	12	-	1,624,097
Profit before tax		664,457	882,726
Income tax (charge)/credit	10	(105,004)	7,108
Profit after taxation - attributable to the equity holders of the Company		559,453	889,834

Statement of other comprehensive income For year ended 31 December 2017

	2017 £	2016 £ Restated
Profit after taxation - attributable to the equity holders of the Company	559,453	889,834
Tax on other comprehensive income	-	-
Total other comprehensive income for the year, net of taxation	-	-
Total comprehensive income for the year, net of taxation	559,453	889,834

There are no items in the statement of other comprehensive income which could be reclassified to the income statement in subsequent years.

The accounting policies and notes set out on pages 18 to 51 form an integral part of these financial statements.

WELLESLEY FINANCE PLC

Statement of financial position For year ended 31 December 2017

	Notes	2017 £	2016 £ Restated
Assets			
<i>Non-current assets</i>			
Intangible assets	15	56,588	74,754
Loans and advances to customers	11	23,926,339	3,082,863
Joint venture arrangement	12	-	-
		23,982,927	3,157,617
<i>Current assets</i>			
Cash and cash equivalents		11,997,245	26,913,828
Loans and advances to customers	11	31,208,268	31,295,229
Derivative financial assets	14	240,190	-
Other assets	16	16,425,344	19,712,521
Total assets		83,853,974	81,079,195
Liabilities			
<i>Current liabilities</i>			
Other liabilities	17	698,983	27,006,422
Interest-bearing loans and borrowings	18	-	-
Derivative financial liabilities	14	-	-
		698,983	27,006,422
<i>Non-current liabilities</i>			
Interest-bearing loans and borrowings	18	79,783,387	50,826,799
Derivative financial liabilities	14	-	433,823
Total liabilities		80,482,370	78,267,044
Net assets		3,371,604	2,812,151
Equity			
Share capital	19	50,000	50,000
Retained earnings		3,321,604	2,762,151
Total equity		3,371,604	2,812,151

The notes on pages 18 to 51 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on and were signed on its behalf by:

Andrew Turnbull
Director
Company number 08331511

WELLESLEY FINANCE PLC

Statement of changes in equity For year ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	50,000	2,762,151	2,812,151
Total comprehensive income for the year			
Profit for the year	-	559,453	559,453
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	559,453	559,453
Transactions with owners recorded directly in equity:			
Issue of shares	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2017	50,000	3,321,604	3,371,604
Balance at 1 January 2016 Restated	50,000	1,872,317	1,922,317
Total comprehensive income for the year			
Profit for the year	-	889,834	889,834
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	889,834	889,834
Transactions with owners recorded directly in equity:			
Issue of shares	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2016	50,000	2,762,151	2,812,151

The notes on pages 18 to 51 are an integral part of these financial statements.

WELLESLEY FINANCE PLC

Statement of cash flows For year ended 31 December 2017

	2017 £	2016 £ Restated
Cash flows from operating activities		
Profit before taxation	664,457	882,726
Adjustments for non-cash items:		
Amortisation	18,166	23,756
Net (income)/expense from derivatives and other financial instruments at fair value through profit or loss	(878,599)	1,221,394
Impairment losses on loans and advances	10,731,012	3,442,625
(Write back) of provisions	(294,787)	(2,878,158)
Write off of loans and advances	341,010	2,114,550
Foreign currency revaluation of loans and advances	159,995	(1,151,132)
Share of profit in joint venture arrangement	-	(1,624,097)
	<u>10,741,254</u>	<u>2,031,664</u>
Adjustments for working capital items and loans & advances:		
Decrease/(increase) in other assets	3,182,174	(12,288,244)
(Decrease)/increase in other liabilities	(26,967,896)	10,809,856
(Increase) in operating assets	(31,192,739)	(15,612,779)
Net cash flows used in operating activities	<u>(44,237,207)</u>	<u>(15,059,503)</u>
Cash flows from investing activities		
Purchase of listed bonds	(225,000)	-
Sale of portions of loans and advances	5,132,000	-
Net cash generated by investing activities	<u>4,907,000</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from interest-bearing loans and borrowings, net of transaction costs	34,034,885	20,508,464
Repayment of interest-bearing loans and borrowings	(9,744,163)	(621,040)
Net cash generated by financing activities	<u>24,290,722</u>	<u>19,887,424</u>
Net increase in cash and cash equivalents	<u>(15,039,485)</u>	<u>4,827,921</u>
Cash and cash equivalents at the start of the year	26,913,828	22,037,630
Foreign currency revaluation of cash balances	122,902	48,277
Movement during the year	(15,039,485)	4,827,921
Cash and cash equivalents at the end of the year	<u>11,997,245</u>	<u>26,913,828</u>

The notes on pages 18 to 51 are an integral part of these financial statements.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

1 Nature of operations

Wellesley Finance Plc, is a provider of finance to medium sized developers with the funding they need to build mid market homes in England and Wales.

2 Basis of preparation

2.1 Accounting basis

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU").

The comparative is for the year ended 31 December 2016.

The presentational currency of the financial statements is Pound Sterling.

The financial statements have been prepared on the historical cost basis except for the following material items in the financial statements:

- derivative financial instruments are measured at fair value through profit or loss; and
- debt securities designated at fair value through profit or loss.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policies that have been used in the preparation of these financial statements are described below. The particular accounting policies adopted by the Directors are described below and have been applied consistently year on year.

The financial statements of the Company were restated for the prior period. Details of these adjustments are in note 24.

2.2 Future accounting developments

New standards and amendments

There have been no new standards having a material impact on the financial statements for the period. The following standards and amendments to existing standards have been published, but in some cases, not yet adopted by the EU. They are mandatory from the financial period beginning on or after the effective dates shown below.

- IFRS 9 – Financial instruments classification and measurement. Applicable for financial years beginning on or after 1 January 2018. IFRS 9 was endorsed by the EU in November 2016.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

2 Basis of preparation *(Continued)*

2.2 Future accounting developments *(Continued)*

- IFRS 15 – Revenue from contracts with customers. Applicable for financial years beginning on or after 1 January 2018. IFRS 15 was endorsed by the EU in September 2016.
- IFRS 16 – Leases. Applicable for financial years beginning on or after 1 January 2019. IFRS 16 was endorsed by the EU in October 2017.

The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting.

The key changes relate to:

- Financial assets: Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading and certain debt instruments, which may be held at fair value through other comprehensive income;
- Financial liabilities: Gains and losses arising from changes in own credit on non-derivative financial liabilities designated at fair value through profit or loss will be excluded from the income statement and instead taken to other comprehensive income; and
- Impairment: Credit losses expected at the statement of financial position date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss will be reflected in impairment allowances.

Adoption is not mandatory until periods beginning on or after 1 January 2018. The standard was endorsed by the EU in September 2016.

Management have considered the impact of IFRS 9 Expected Credit Loss ("ECL") on its loan portfolio as at 1 January 2018 and have concluded that there will be no material impact of implementing the ECL model as at 1 January 2018 because all loans in the portfolio are collateralised. Management have also considered that the impact of undrawn commitments on the ECL model will not be material. It should be noted that IFRS 9 will result in earlier recognition of ECL than had previously been impaired.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue will replace IAS 18 Revenue and IAS 11 Construction Contracts. It applies to all contracts with customers except leases, financial instruments and insurance contracts. IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Management consider the performance obligation defined in IFRS 15, in the context of contracts for acting as agent, to be the continual management of the loan portfolio. Management do not expect a material impact from IFRS 15 Revenue from Contracts with Customers.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

2 Basis of preparation *(Continued)*

2.2 Future accounting developments *(Continued)*

IFRS 16 Leases

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The Company holds operating leases for several printers. On review of IFRS 16 in respect of these leases, there will not be a material impact on the Company.

2.3 Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements). In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the statement of financial position, future projections of profitability, cash flows and capital resources and the longer-term strategy of the business.

The Company's forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. The Directors are satisfied that the liquidity of the Company will be met by any future issuance of mini bonds.

3 Significant accounting policies

3.1 Interest income and expense

Interest income and expense are recognised in the income statement on an effective interest rate ("EIR") basis in accordance with IAS 39. The EIR is the rate that, at the inception of the financial asset or liability, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the instrument but does not consider the assets' future credit losses.

At each reporting date, management makes an assessment of the expected remaining life of its financial assets and where there is a change in those assessments the remaining amount of any unamortised discount or premiums is adjusted so that the interest continues to be recognised prospectively on the amortised cost of the financial asset at the original EIR. The adjustment arising is recognised within interest income in the income statement of the current period.

The calculation of the EIR includes all transaction costs and fees paid or received that are an integral part of the interest rate, together with the discounts or premium arising on the acquisition of loan portfolios.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the income statement include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an EIR basis

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

3 Significant accounting policies *(Continued)*

The Company recognises its portion of each sterling denominated loan and advance originated on its statement of financial position. The remainder of each sterling denominated loan and advance is held “off balance sheet” and relates to the funding from P2P investors. Interest income and interest expense is recognised on these balances as outlined above.

3.2 Fees and commission income

For the remaining portion of originated loans and advances, the Company acts as an agent on behalf of Peer to Peer (“P2P”) customers who are fully exposed to the risks and rewards of these loans and advances. As a result, the Company presents its fees and commissions income net.

3.3 Other operating income

Arrangement fees, administration fees and contracted exit fees relating to loans and advances to customers are included within interest income as part of the EIR calculation.

Undrawn fees, legal fees and early access fees which are not considered integral to the EIR are recognised on an accruals basis when the service has been provided or received.

3.4 Fees payable

Fees and expenses which are costs directly attributable to the issue of a financial instrument (i.e. direct promotional costs, legal fees) are included in interest expense as part of the EIR calculation. When they are not incremental costs that are directly attributable they are recognised within fee as the services are received.

3.5 Financial instruments – recognition and de-recognition

Recognition

The Company initially recognises loans and advances, interest-bearing loans and borrowings issued on the date they are originated, at fair value less transaction costs.

De-recognition

De-recognition of financial assets and liabilities is the point at which an asset or liability is removed from the statement of financial position.

Financial assets are derecognised when:

- the rights to receive cash flows from the assets have ceased; and
- the Company has transferred substantially all the risk and rewards of ownership of the assets.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised through the income statement.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

3 Significant accounting policies *(Continued)*

3.6 Financial instruments

Financial Assets

The Company classifies its financial assets (excluding derivatives) as loans and receivables.

The Company's accounting policy is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. These are initially measured at fair value plus transactions costs that are directly attributable to the financial asset. Subsequently, they are measured at amortised cost using the EIR. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount less impairment provisions for incurred losses. Loans and receivables mainly comprise loans and advances to customers.

The Company recognises its portion of each sterling denominated loan and advance originated on its statement of financial position. The remainder of each sterling denominated loan and advance is held "off balance sheet" and relates to the funding from P2P investors.

For the remaining portion of originated loans and advances, the Company acts as an agent on behalf of P2P customers who are fully exposed to the risks and rewards of these loans and advances.

Financial Liabilities

Financial liabilities are contractual obligations to deliver cash or another financial asset.

Financial liabilities at amortised cost are recognised initially at fair value, which equates to issue proceeds net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method.

Interest-bearing loans and borrowings issued by the Company are assessed as to whether they should be treated as equity or financial liabilities. Where there is a contractual obligation to deliver cash or other financial assets, they are treated as a financial liability and measured at amortised cost using the EIR after taking account of any discount or premium on the issue and directly attributable costs that are an integral part of the EIR. The amount of any discount or premium is amortised over the period to the expected call date of the instrument. All interest-bearing loans and borrowings issued by the Company are classified as financial liabilities at amortised cost.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

3 Significant accounting policies (Continued)

3.6 Financial instruments (Continued)

Impairment loss

On an on-going basis the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of impairment loss include, but not limited to, the following:

- delinquency in contractual payments of principal or interest;
- cash flow or other trading difficulties experienced by the borrower;
- initiation of bankruptcy proceedings; and
- change in market value of assets

The Company’s portion of the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

When a financial asset is uncollectible, it is written off against the related provision for impairment. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for impairment in the income statement. Allowances for impairment losses are released at the point when it is deemed that, following a subsequent event, the risk has reduced such that an allowance is no longer required.

3.7 Financial instruments and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide a fair value on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate all the factors that market participants would take into account in pricing a transaction.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration received or given.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

3 Significant accounting policies *(Continued)*

3.8 Derivative financial instruments

The Company enters into derivative transactions only for the purpose of reducing exposure to fluctuations in exchange rates; they are not used for proprietary trading purposes.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Fair values are obtained from quoted market prices in active markets and, where they are not available, from valuation techniques, discounted cash flow models and option pricing models. Derivatives are measured as assets where the fair value is positive and liabilities where their fair value is negative.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.10 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities held at the statement of financial position date are translated into sterling at the exchange rates ruling at the statement of financial position date. Non-monetary assets carried at historical cost should be reported using the exchange rate at the date of the transaction.

Non-monetary assets carried at fair value should be reported at the rate that existed when the fair values were determined

Exchange differences are charged or credited to the statement of income.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

3 Significant accounting policies *(Continued)*

3.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in equity through other comprehensive income.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the period end date.

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right of offset exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements
For year ended 31 December 2017

3 Significant accounting policies *(Continued)*

3.12 Intangible assets

Website and brand development

Expenditure on website and brand development relates to the customer relationship management ("CRM") software which enables customers invest in investment products marketed by the Company.

Expenditure on website and brand development is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the website and brand in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

Website and brand development assets are amortised on a straight line basis in the income statement over its useful life from the date it is available for use. The estimated useful life of website and brand assets is five years.

If impairment is indicated, the asset's recoverable amount (being the greater of fair value less costs to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows from continuing use of the asset. If the carrying value of the asset is less than the greater of the value in use and fair value less costs to sell, an impairment loss is recognised in the income statement.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

3 Significant accounting policies *(Continued)*

3.13 Equity instruments

The Company classifies instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Company to deliver cash or other financial assets or to exchange financial asset or financial liabilities with another party under conditions that are potentially unfavourable to the Company, or where the instrument will or may be settled in the Company's own equity instruments but includes no obligation to deliver a variable number of the Company's own equity instruments then it is treated as an equity instrument. Accordingly, the Company's share capital is presented as a component of equity within shareholders' funds. Any dividend or other distributions on equity instruments are recognised in equity. Related income tax is accounted for in accordance with IAS 12.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balance and bank balances with a maturity of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4 Use of estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgement and assumptions that are considered to be the most important to the portrayal of the Company's financial condition are those relating to loan impairment provisions.

The following are deemed to be judgements:

EIRs

IAS 39 requires interest earned/incurred from loans and advances/financial liabilities to be measured under the EIR method. Management must therefore use judgement to estimate the expected life of each instrument and hence the expected cash flows relating to it. The carrying value of loans and advances/financial liabilities would therefore be affected by unexpected market movements resulting in altered customer behaviour models used to compare to actual outcomes and incorrect assumptions. Transaction costs should be incorporated in the EIR method. Management identifies these costs as those which relate directly to acquiring the loan and advance/financial liabilities as transaction costs.

Loan impairment provisions

Loan portfolios across the Company are reviewed on at least a monthly basis to assess for impairment. In determining whether an impairment provision should be recorded, judgements are made as to whether there is objective evidence that a financial asset is impaired as a result of loss events that occurred after recognition of the asset and by the reporting date. The calculation of the impairment loss is management's best estimate of losses incurred in the portfolio at the statement of financial position date and reflects expected future cash flows based on both the likelihood of a loan or advance being written off and the estimated loss on such a write-off. Please see note 13 for details.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

4 Use of estimates and judgements (Continued)

Acting as agent

The Company acts as agent on behalf of its Peer to Peer investors. Management apply the EIR method in calculating the fee and commission income and expense for acting as agent. Management must therefore use judgement to estimate the expected life of each instrument and hence the expected cash flows relating to it. The carrying value of loans and advances/financial liabilities would therefore be affected by unexpected market movements resulting in altered customer behaviour models used to compare to actual outcomes and incorrect assumptions.

The following is deemed to require a certain level of judgement by the directors:

Intangible assets

The Company assesses its intangible assets at least annually for evidence of impairment. Where the asset is under development, the Company considers whether it is reasonably likely to complete the asset and bring it to use. The Company also considers if the asset will generate sufficient economic benefit over the and above the current carrying value of the asset. See note 15 for details.

5 Fee and commission income

	2017 £	2016 £
On loans and advances to customers - Agent	17,416,339	21,029,598
On peer to peer capital - Agent	(6,507,422)	(8,088,876)
	10,908,917	12,940,722

6 Administrative expenses

	Note	2017 £	2016 £ Restated
Staff costs	7	1,801,855	3,159,598
Advertising & marketing		62,802	127,494
Legal & professional		218,033	340,255
Irrecoverable VAT		105,279	914,478
FX on foreign currency loans		159,996	(1,149,175)
Management charge	23	3,034,613	5,431,400
Other administrative expenses		380,744	460,684
		5,763,322	9,284,734

All other administrative expenses are incurred in the normal course of business.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

7 Staff costs

	2017	2016
	£	£
Staff cost have been allocated per department as follows:		
Wages and salaries		
Central functions	138,896	453,283
Directors	-	508,654
Operations	215,806	439,416
Credit operations	555,179	498,893
Loan origination	720,577	925,254
	1,630,458	2,825,500
Social security costs	142,852	334,098
Employee benefits	28,545	-
	1,801,855	3,159,598
	2017	2016
Staff numbers have been allocated per department as follows at the year end:		
Central functions	2	6
Directors	-	3
Operations	1	4
Credit operations	6	10
Loan origination	8	11
	17	34

The average number of persons employed by the Company during the year was 17 (2016: 34).

8 Key management personnel remuneration

	2017	2016
	£	£
Directors' emoluments	-	508,654
Redundancy costs	-	30,000
	-	538,654

The emoluments for the highest paid director during the year was £Nil (2016: £181,282). The emoluments of the directors are paid by Wellesley Group Limited.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

9 Auditor's remuneration

	2017 £	2016 £
Auditor's remuneration for audit services provided	43,168	27,500
	43,168	27,500

10 Taxation

	2017 £	2016 £
Recognised in the Statement of Comprehensive Income		
Current tax:		
UK corporation tax at 19.27% (2016: 20%)	-	(1,825)
Total current tax	-	(1,825)
Deferred tax:		
Current year	104,367	(5,283)
Adjustment in respect of previous periods	12,819	
Effect of changes in tax rate	(12,182)	
Total deferred tax	105,004	(5,283)
Total tax charge/(credit)	105,004	(7,108)
Reconciliation of tax charge:		
Profit on ordinary activities before tax	664,707	882,726
Tax on profit on ordinary activities at standard corporation tax rate of 19.26% (2016: 19.25%)	127,933	176,546
Effects of:		
Expenses not deductible for tax purposes	7,802	16,137
Adjustments for losses	-	-
Adjustment to tax charge in respect of previous periods	-	(1,825)
Income not taxable for tax purposes	-	-
Group relief (claimed)/surrendered	(31,369)	(232,730)
Effect of rate change on deferred tax	(12,182)	11,232
Adjustment to tax charge in respect of previous period	12,820	23,532
Total tax charge/(credit)	105,004	(7,108)

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

11 Loans and advances to customers

	2017 £	2016 £ Restated
Gross loan receivables	68,176,387	36,983,648
Less provisions	(13,041,780)	(2,605,556)
	55,134,607	34,378,092
Amounts falling due:		
Within one year	31,208,268	31,295,229
In the second to fifth year inclusive	23,926,339	3,082,863
After five years	-	-
	55,134,607	34,378,092

During the year, Wellesley Finance plc was established as the loan servicer and manager for loans purchased by Wellesley Secured Finance plc, an entity whose purpose is to raise funds through a Note Programme on the Irish Stock Exchange. The proceeds from the Note Programme were used to purchase £5.1m worth of partial loans from Wellesley Finance plc. The Company de-recognises as a financial asset those loans and advances disposed of £5,132,000 (2016: £Nil) to Wellesley Secured Finance plc.

The loans are secured by a first charge over property and land. The value of collateral is determined by assessing the future sales of the completed property development, commonly referred to as Gross Development Value ("GDV"). The GDV for the loans held as at 31 December 2017 is disclosed in note 22.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

12 Joint ventures

	2017 £	2016 £ Restated
Opening balance	-	1,113,787
Cost of investment in joint venture	-	-
Company share of profit of joint venture	-	1,624,097
FX	-	(21,444)
Transferred to group company	-	(2,716,440)
	<u>-</u>	<u>-</u>

In September 2015, the Company undertook a restructuring of one of its loans in Spain. As a result of this restructuring, the Company entered into a 50:50 joint venture with the underlying Spanish operating company, International Can Puig Building, Sociedad Limitada. The primary activity of International Can Puig Building, Sociedad Limitada is the development of apartments in central Palma, Majorca. The registered address of International Can Puig Building, Sociedad Limitada is Avenida Alejandro Rossello 15 5E (07002), Palma de Mallorca, Balearic Islands. The joint venture is accounted for based on the equity method of accounting under IFRS 11 Joint Arrangements.

See note 24 for details on the prior period restatement. The amount transferred to the group company represented the fair value at the date of transfer. The carrying value is represented by the fair value of the joint venture.

Summarised financial information in relation to the joint venture is presented below:

	2017 £	2016 £ Restated
Profit from continuing operations	<u>-</u>	<u>-</u>
Company share of profit from continuing operations (50%)	<u>-</u>	<u>-</u>

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

13 Provisions

The movement in provisions in respect of loans during the year was as follows:

	2017 £	2016 £ Restated
At the beginning of the year	2,605,556	1,293,260
Charge for provisions	10,731,012	4,190,454
Write back of provisions	(294,787)	(2,878,158)
At the end of the year	13,041,781	2,605,556

The provision is made against loans and advances to customers. The provision is estimated to realise in the next twelve months.

14 Derivatives held for risk management

Amounts included in the statement of financial position are analysed as follows:

	2017		2016	
	Assets £	Liabilities £	Assets £	Liabilities £
Foreign exchange	240,190	-	-	433,823
	240,190	-	-	433,823

The Company uses forward exchange derivatives, not designated in qualifying hedge relationships, to manage its exposure to foreign exchange risk on a currency loan provided to customers in Spain.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

16 Other assets

	2017 £	2016 £ Restated
Other receivables	1,921,928	1,757,923
Prepayments	12,035	40,100
Amounts owed by related parties	14,490,556	17,808,670
Deferred tax asset	825	105,828
	16,425,344	19,712,521

The amounts owed from related parties are unsecured, have no fixed repayment date and are interest free.

17 Other liabilities

	2017 £	2016 £ Restated
Trade payables	1,828	54,711
Other taxation and social security costs	200,287	166,241
Accruals and deferred income	178,332	24,606,057
Other payables	318,506	46,799
Amounts owed to related parties	30	2,132,614
	698,983	27,006,422

The amounts owed to related parties are unsecured, have no fixed repayment date and are interest free.

18 Interest-bearing loans and borrowings

	2017 £	2016 £ Restated
At the beginning of the year	50,826,799	30,173,473
Issued in the year	34,357,126	19,329,197
Redeemed in the year	(8,219,922)	(621,040)
Interest payable	3,141,625	1,980,127
Transaction costs, net	(322,241)	(34,958)
Total interest-bearing loans and borrowings at the end of the year	79,783,387	50,826,799
Due within one year	-	-
Due over one year	79,783,387	50,826,799
	79,783,387	50,826,799

Interest-bearing loans and borrowings consist of a Minibond £73,833,406 (2016: £45,487,799) and an Irish Listed ISA bond £5,949,981 (2016: £5,339,000). The Irish Listed ISA bond is secured on the loans and advances to customers. The Minibond is unsecured.

Interest rates range from 6% to 8% on the Minibond. The interest rate charged on the Irish Listed ISA bond is 5.5%.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

19 Share capital

	2017 £	2016 £
50,000 issued ordinary shares at £1 each (50,000 authorised ordinary shares at £1 each)	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

The 50,000 ordinary shares at £1 each are fully paid up at the year end.

The shares have full voting, dividend and capital distribution (including winding up) rights and are not redeemable.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

20 Financial instruments and fair values

The following tables summarise the classification and carrying amounts of the Company's financial assets and liabilities:

2017	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Loans and advances to customers	55,134,607	-	-	55,134,607
Derivatives held for risk management	-	240,190	-	240,190
Cash and cash equivalents	-	11,997,245	-	11,997,245
Other receivables	1,921,928	-	-	1,921,928
Amounts owed by related parties	14,490,556	-	-	14,490,556
Total financial assets	71,547,091	12,237,435	-	83,784,526

	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Derivatives held for risk management	-	-	-	-
Interest-bearing loans and borrowings	-	-	79,783,387	79,783,387
Other payables	-	-	318,506	318,506
Amounts owed to related parties	-	-	30	30
Total financial liabilities	-	-	80,101,923	80,101,923

2016	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Loans and advances to customers	34,378,092	-	-	34,378,092
Derivatives held for risk management	-	-	-	-
Cash and cash equivalents	-	26,913,828	-	26,913,828
Other receivables	1,757,923	-	-	1,757,923
Amounts owed by related parties	17,808,670	-	-	17,808,670
Total financial assets	53,944,685	26,913,828	-	80,858,513

	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Derivatives held for risk management	-	433,823	-	433,823
Interest-bearing loans and borrowings	-	-	50,826,799	50,826,799
Other payables	-	-	46,799	46,799
Amounts owed to related parties	-	-	2,132,614	2,132,614
Total financial liabilities	-	433,823	53,006,212	53,440,035

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

20 Financial instruments and fair values *(continued)*

The carrying and fair value of the assets and liabilities are as follows:

2017	Carrying value £	Fair value £
Assets		
Cash and cash equivalents	11,997,245	11,997,245
Loans and advances to customers	55,134,607	55,134,607
Other receivables	1,921,928	1,921,928
Amounts owed from related parties	14,490,556	14,490,556
	83,544,336	83,544,336
Liabilities		
Other payables	318,506	318,506
Interest-bearing loans and borrowings	79,783,387	79,783,387
Amounts owed to related parties	30	30
	80,101,923	80,101,923
2016	Carrying value £	Fair value £
Assets		
Cash and cash equivalents	26,913,828	26,913,828
Loans and advances to customers	34,378,092	34,378,092
Other receivables	1,757,923	1,757,923
Amounts owed from related parties	17,808,670	17,808,670
	80,858,513	80,858,513
Liabilities		
Other payables	46,799	46,799
Interest-bearing loans and borrowings	50,826,799	50,826,799
Amounts owed to related parties	2,132,614	2,132,614
	53,006,212	53,006,212

The Company uses amortised cost as an approximation for the fair value of loans and advances. Amortised cost is a reasonable proxy for fair value due to the following: 1) application of the current interest rate in the EIR calculation; and 2) the term of the loans and advances are short term.

Fair values of financial assets and financial liabilities are based on quoted market prices. If the market is not active, the Company establishes a fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis. The objective of valuation techniques is to determine the fair value of the financial instrument at the reporting date as the price that would have been agreed between active market participants in an arm's length transaction. For financial liabilities held at fair value, the Company takes into account changes in credit risk and other observable data in order to reflect the measurement of financial liabilities.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

20 Financial instruments and fair values *(continued)*

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

The following table provides an analysis of financial assets and liabilities held on the statement of financial position at fair value, into Level 1 to Level 3 based on the degree to which the fair value is observable:

2017	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets				
Derivatives held for risk management	-	240,190	-	240,190
Total financial assets	-	240,190	-	240,190
Financial liabilities				
Derivatives held for risk management	-	-	-	-
Total financial liabilities	-	-	-	-
2016	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets				
Derivatives held for risk management	-	-	-	-
Total financial assets	-	-	-	-
Financial liabilities				
Derivatives held for risk management	-	433,823	-	433,823
Total financial liabilities	-	433,823	-	433,823

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

21 Commitments and contingent liabilities

At 31 December 2017, the Company had undrawn commitments to lend £166,890,340 (2016: £55,104,929).

The below details the split of amounts falling due in respect of total contractual cashflows on loans and advances:

	2017	2016
	£	£
Amounts falling due:		
Within one year	102,687,460	28,179,986
In the second to fifth year inclusive	64,202,880	26,924,943
After five years	-	-
	166,890,340	55,104,929

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

22 Risk management

The main areas of risk that the business is exposed to are:

- Credit risk;
- Liquidity risk;
- Market risk;
- Reputational risk;
- Information technology and security; and
- Operational and people risk

Credit risk

The Company's principal business activity is providing residential property loans. For each loan, the Company obtains a legal charge on the assets it is lending against. It is acknowledged that the property market is cyclical and that the Company is operating in a period of the cycle which would be considered as relatively stable with inflating property prices which has resulted in favourable conditions for lending. The board regularly reassesses its view on the risks presented by the market and also the overall stage of the property cycle.

The below details the credit quality of the loans and advances to customers:

2017	Total
Loans and advances to customers	£
Performing within terms	25,936,039
Performing in arrears	8,645,346
Non performing - full recovery expected	2,881,782
Impaired	17,671,440
Loans and advances to customers (Refer to note 11)	55,134,607

2016 Restated	Total
Loans and advances to customers	£
Performing within terms	12,995,627
Performing in arrears	147,514
Non performing - full recovery expected	8,941,297
Impaired	12,293,654
Loans and advances to customers (Refer to note 11)	34,378,092

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

22 Risk management (continued)

The below details the ageing of loans and advances past due but not impaired:

2017	Total
Loans and advances performing in arrears and non performing - full recovery expected	£
Overdue by three months	2,095,842
Overdue between three months to six months	-
Overdue by greater than six months	9,431,286
	11,527,128
2016 Restated	Total
Loans and advances performing in arrears and non performing - full recovery expected	£
Overdue by three months	2,748,270
Overdue between three months to six months	2,920,496
Overdue by greater than six months	3,420,045
	9,088,811

The Company reviews its portfolio under the following metrics: 1) Performing within terms: loan is performing within the terms approved at Business Acceptance Committee ("BAC"); 2) Performing in arrears: loan is performing within the terms approved by BAC except the original redemption date has not been met; ; 3) Non-performing – full recovery expected: loan has been identified as one which requires close monitoring and management by the recovery team with expectation of full recovery; and 4) Impaired: loan is actively monitored management with expectation of a loss. This allows for a more robust review of the loan portfolio and enables the credit team to identify and resolve loans and advances which require closer monitoring. The directors have carried out a full review of each individual loan and anything past due is closely monitored.

The Company's maximum exposure to credit risk after provisions for impairment as follows:

	2017	2016
	£	£
		Restated
Financial assets		
Cash and cash equivalents	11,997,245	26,913,828
Loans and advances to customers	55,134,607	34,378,092
Other assets	16,425,344	19,712,521
Derivative financial assets	240,190	-
	83,797,386	81,004,441
Contractual commitments	166,890,340	55,104,929
Total credit risk	250,687,726	136,109,370

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

22 Risk management (continued)

Contractual commitments represent agreements entered into but not advanced as at 31 December 2017.

Collateral, based on the underlying development asset, held in relation to secured loans is capped at the amount outstanding on an individual basis. Total collateral in respect of loans and advances held at 31 December 2017 was £594m (2016: £391m). Where the amount outstanding on a loan and advance exceeds the collateral and is underperforming, the Company will consider including a provision in the financial statements.

Liquidity risk

The Company's sources of funding are all retail peer to peer/bond market correlated and as such there is less diversification than what would be considered the norm for a financial services institution. The Company does hold asset terms which are approximately half the duration of its liability terms and therefore does not operate with a funding mismatch. However it should be noted that the Company does have an unfunded forward liability on its development facility future drawdowns which it expects to fund with the repayment of loans which are due to be repaid.

The below details when the contractual euro cash outflows are due on the forward exchange derivative positions:

	2017 €	2016 €
Amounts falling due:		
Within one year	16,152,730	15,628,469
In the second to fifth year inclusive	-	-
After five years	-	-
	16,152,730	15,628,469

The below details when the contractual sterling cash inflows are due on the forward exchange derivative positions:

	2017 £	2016 £
Amounts falling due:		
Within one year	12,168,015	12,954,166
In the second to fifth year inclusive	-	-
After five years	-	-
	12,168,015	12,954,166

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

22 Risk management (continued)

The below details the split of amounts falling due in respect of liabilities:

At 31 December 2017	Up to 3	Between 3	Between 1 and 2	Between 2 and 5	Over 5
	months	and 12	years	years	years
	£	£	£	£	£
Trade payables	1,828	-	-	-	-
Other taxation and social security costs	200,287	-	-	-	-
Accruals and deferred income	47,108	47,106	70,659	13,459	-
Other payables	318,506	-	-	-	-
Amounts owed to related parties	30	-	-	-	-
Interest-bearing loans and borrowings	1,111,368	18,703,260	40,363,812	19,604,947	-
Derivative financial liabilities	-	-	-	-	-
	1,679,127	18,750,366	40,434,471	19,618,406	-

At 31 December 2016	Up to 3	Between 3	Between 1 and 2	Between 2 and 5	Over 5
	months	and 12	years	years	years
	£	£	£	£	£
Trade payables	54,711	-	-	-	-
Other taxation and social security costs	166,241	-	-	-	-
Accruals and deferred income	6,499,911	6,499,635	9,749,453	1,857,058	-
Other payables	46,799	-	-	-	-
Amounts owed to related parties	-	2,132,614	-	-	-
Interest-bearing loans and borrowings	107	8,640,910	15,058,081	21,552,644	5,575,057
Derivative financial liabilities	-	433,823	-	-	-
	6,767,769	17,706,982	24,807,534	23,409,702	5,575,057

The Company monitors its forward cash flow position however could potentially have difficulty in making its future drawdowns if a number of loans were to be delayed in repayment. This being said, this risk is mitigated by the fact that failure to fund the future drawdowns is unlikely to result in a breach of our obligations albeit the development would be delayed which would increase financing costs and ultimately reduce credit quality.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

22 Risk management (continued)

Market risk

Market risk is the risk that the value of, or income arising from, the Company's assets and liabilities change as a result of changes in market prices, the principal element being the interest rate risk.

The Company has minimal foreign currency exposure and engages in hedging strategies to minimise risk.

The Company's treasury function is responsible for managing the Company's exposure to all aspects of market risk within the operational limits set out in the Company's treasury policies. ALCO approves the Company's treasury policies and receives regular reports on all aspects of market risk exposure, including interest rate risk.

Interest rate risk

Interest rate risk is the risk of loss arising from adverse movements in market interest rates. Interest rate risk arises from the loan and lending products that we offer. This risk is managed through the use of appropriate financial instruments, including derivatives, with established risk limits, reporting lines, mandates and other control procedures.

In particular, changes to interest rates could potentially impact the value of the properties to which the loans and advances of the Company are secured against.

Basis risk

Basis risk is the risk of loss arising from changes in the relationship between interest rates which have similar but not identical characteristics. This is monitored closely and regularly reported to ALCO. The risk is managed by matching and where appropriate, through the use of derivatives, with established risk limits and other control procedures.

The Company's forecasts and plans take account of the risk of interest rate changes and are prepared and stressed accordingly.

Foreign exchange risk

Foreign exchange risk is the risk that the value of, or net income arising from, assets and liabilities changes as a result of movements in exchange rates. The Company has low levels of foreign exchange risk which is managed by use of cross-currency derivatives. The table below sets out the Company's exposure to foreign exchange risk:

	2017	2016
	£	£
Assets and liabilities in euros at sterling carrying values		
Loans and advances to customers	10,486,666	14,886,771
Cash and cash equivalents	719,322	233,788
Deferred income	-	(535,483)
Net position	11,205,988	14,585,076

The Company estimates that a 2% movement in the value of the euro would have the following impact on the statement of financial position values:

- Euro strengthened by 2%: +£228,694 (2016: +£297,655)
- Euro weakened by 2%: (£219,725) (2016: (£285,982))

Interest rate sensitivity gap

The interest rate on the total value of the loan portfolio of £60,539,474 (2016: £34,378,092) is fixed. The Company has no exposure to floating interest rates on the loan portfolio. The Company considers a 200 basis points ("bps") movement to be appropriate for scenario testing given the guidance by the Bank of England Monetary Policy Committee on expectations of future long term interest rates. The Company estimates that a +/- 200 bps movement in interest rates paid / received would have impacted the overall balance sheet values as follows:

- +/- 200 bps - +/-£155,346 (2016: restated +/-£216,916)

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

22 Risk management (continued)

Capital risk

The Company's objective is to maintain a strong capital base to support its current operations in line with relevant forecasts. Capital base for these purposes comprises shareholders' equity plus interest-rate bearing loans and borrowings. The details are below:

	2017 £	2016 £ Restated
Share capital	50,000	50,000
Retained earnings	3,321,604	2,762,151
Common equity capital	3,371,604	2,812,151
Interest-bearing loans and borrowings	79,783,387	50,826,799
Other capital	79,783,387	50,826,799

The Company is not subject to external regulatory capital requirements. The Company is meeting its objectives for managing capital by issuing shares and raising debt where necessary. However, the capital levels are monitored both at a Company level and throughout the Wellesley Group.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

23 Related party transactions

Related parties of the Company include key management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by key management personnel or their close family members. Key management personnel are defined as the Directors.

The following are transactions and outstanding balances related to key management personnel (as defined by IAS 24 Related Party Disclosure) and all are due within 1 year:

	2017	2016
	£	£
<i>Funded Peer to Peer Accounts</i>		
Opening balance	-	10
Advances	-	-
Repayments	-	(10)
Interest	-	-
	<u>-</u>	<u>-</u>

The maximum balance during the year was £Nil (2016: £10).

The Company is owed the below from the following related party entities. These amounts owed by related parties are shown in note 16.

	2017	2016
	£	£
<i>Wellesley & Co Limited</i>		
Opening balance	5,140,208	551,887
Advances	67,481,466	5,848,138
Management charges	3,034,613	5,431,400
Repayments	(74,539,035)	(6,691,217)
	<u>1,117,252</u>	<u>5,140,208</u>

The maximum balance during the year was £22,473,600 (2016: £5,330,647). During the year, the Company was charged £3,034,613 (2016: £5,431,400) in respect of management charges from Wellesley & Co Limited.

	2017	2016
	£	£
<i>Wellesley Group Investors Limited</i>		
Opening balance	8,158,965	6,329,986
Advances	2,842,000	1,935,709
Repayments	(2,212,471)	(106,730)
	<u>8,788,494</u>	<u>8,158,965</u>

The maximum balance during the year was £8,788,494 (2016: £8,251,827).

	2017	2016
	£	£
<i>Wellesley Secured Funding Limited</i>		
Opening balance	93,042	61,066
Advances	2,500	31,976
Repayments	-	-
	<u>95,542</u>	<u>93,042</u>

The maximum balance during the year was £95,542 (2016: £93,042).

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

23 Related party transactions (continued)

	2017 £	2016 £
<i>Wellesley Bridging Co Limited</i>		
Opening balance	1,700,015	-
Advances	-	1,700,015
Repayments	(15)	-
	1,700,000	1,700,015

The maximum balance during the year was £1,700,015 (2016: £1,700,015).

	2017 £	2016 £
<i>Wellesley Group Limited</i>		
Opening balance	-	-
Advances	72,828	-
Repayments	-	-
	72,828	-

The maximum balance during the year was £72,828 (2016: £Nil).

	2017 £	2016 £ Restated
<i>Wellesley Investment Services Limited</i>		
Opening balance	2,716,440	-
Advances	-	2,716,440
Repayments	-	-
	2,716,440	2,716,440

The maximum balance during the year was £2,716,440 (2016 Restated: £2,716,440).

Wellesley Finance plc, Wellesley & Co Limited and Wellesley Bridging Co Limited are wholly owned subsidiaries of Wellesley Group Limited. Wellesley Group Limited is a subsidiary of Wellesley Group Investors Limited whose ultimate parent is IFX Group Trust. Wellesley Investment Services Limited and Wellesley Secured Funding Limited are wholly owned subsidiaries of Wellesley Group Investors Limited. The above transactions are considered to be at arm's length.

	2017 £	2016 £
<i>Wellesley Secured Finance plc</i>		
Opening balance	-	-
Advances	568,884	-
Repayments	(15,548)	-
Interest owed	4,969	-
	558,305	-

The maximum balance during the year was £558,305 (2016: £Nil).

Wellesley Secured Finance plc is a related party to the Company as it is the servicer and originator for loans purchased by Wellesley Secured Finance plc. Wellesley Secured Finance plc purchased portions of loans from Wellesley Finance plc during the year. The amount owed at 31 December 2017 is split between two amounts: 1) Expenses Facility Agreement dated 12 April 2017: £333,496; and 2) Subordinated Loan Facility: £207,073.

Included in other receivables in note 16 was and amount of £17,736 owed in respect of costs paid for by Wellesley Finance plc.

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

23 Related party transactions (continued)

In addition, Wellesley Finance plc invested £200,000, £10,000 and £15,000 in Series 1, 3 and 5 respectively of the Irish Listed ISA bond issued by Wellesley Secured Finance plc during the year. Details are below:

	2017 £	2016 £
<i>Investment by Wellesley Finance plc in Irish Listed ISA bond</i>		
Opening balance	-	-
Advances	225,000	-
Repayments	(436)	-
Interest owed	11,528	-
	236,092	-

The maximum balance during the year was £236,092 (2016: £Nil).

The Company owes the following to the related party below. These amounts owed to group undertakings are shown in note 17.

	2017 £	2016 £
<i>Wellesley Lease Finance Limited</i>		
Opening balance	30	30
Advances	-	-
Repayments	-	-
	30	30

The maximum balance during the year was £30 (2016: £30).

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

24 Prior period restatement

The prior period adjustments were as follows:

- 1 On 5th August 2016, the ownership of International Can Puig Building, Sociedad Limitada was transferred from Wellesley Finance plc to Wellesley Investment Services Limited, a related party. The information regarding this transfer was not made available to the finance function of the Company until after the financial statements were signed for the year ended 31 December 2016. There were several adjustments in relation to changes to the Company financial statements which have impacted the Company's prior year results. £525,669 was recorded as an uplift on the value of the joint venture at 31 December 2016. The joint venture was transferred on 5th August 2016 resulting in the reversal of the £525,669 uplift in value recorded at 31 December 2016. In addition, there was FX gains of £21,444 recorded from 5th August 2016 to 31 December 2016 which are being reversed. £2,716,440 represents the fair value of the joint venture transferred on 5th August 2016.
- 2 ISA and bond set up costs were previously accounted for as an intangible asset and amortised through the statement of profit and loss. In line with IFRS, these are deemed transaction costs which should be incorporated in the EIR calculation for the interest expense. The net impact of the restatement on the statement of profit and loss and statement of financial position is nil.
- 3 Interest income relating to non performing loans and advances was previously suspended in the statement of profit and loss in the prior year. In accordance with IFRS, interest income is to be recognised on non performing loans and advances and then fully provided for in the statement of profit and loss. The net impact of the restatement on the statement of profit and loss and statement of financial position is nil.
- 4 Deferred tax impact on the removal of the ownership of International Can Puig Building, Sociedad Limitada.

	Note	Impact on Statement of profit and loss Increase/(decrease) Year to 31 December 2016
		£
(Decrease) share of profit in joint venture arrangement	1	(525,669)
(Decrease) FX gain	1	(21,444)
(Decrease) amortisation	2	(7,680)
Increase net interest income	2	7,680
Increase net interest income	3	747,829
(Increase) impairment of loans and advances	3	(747,829)
Increase deferred tax	4	93,009
Impact on profit for the year to 31 December 2016		(454,104)

	Note	Impact on Statement of Financial Position As at 31 December 2016
		£
(Decrease) in joint venture arrangement	1	(3,263,553)
Increase in amounts owed from group undertakings	1	2,716,440
(Decrease) in intangible assets	2	(27,278)
Decrease in interest-bearing loans and borrowings	2	27,278
Increase in loans and advances to customers	3	747,829
(Increase) in provisions	3	(747,829)
Increase deferred tax	4	93,009
Impact on equity at 31 December 2016		(454,104)

WELLESLEY FINANCE PLC

Notes forming part of the financial statements For year ended 31 December 2017

25 Ultimate controlling party

Wellesley Group Limited, a company incorporated in England, is the immediate parent of the Company. The ultimate controlling party of the immediate parent is IFX Group Trust. Neither the immediate parent or ultimate controlling party prepare consolidated financial statements. Wellesley Group Investors Limited, parent of Wellesley Group Limited, prepares consolidated financial statements which includes the results of the Company for the year.

Registered addresses:

Wellesley Group Limited and Wellesley Group Investors Limited - 6th Floor St Albans House, 57/59 Haymarket, London, SW1Y 4QX

IFX Group Trust – 14/15 Mount Havelock, Douglas, Isle of Man, IM1 2QG.

26 Reconciliation of liabilities arising from financing activities

	Cashflows		Non - cash changes				31 December 2017 £
	1 January 2017 £	£	Interest payable £	Foreign exchange movement £	Other £	Fair value changes £	
Interest-bearing loans and borrowings	50,826,799	26,137,204	3,141,625	-	(322,241)	-	79,783,387
	50,826,799	26,137,204	3,141,625	-	(322,241)	-	79,783,387

	Cashflows		Non - cash changes				31 December 2016 £
	1 January 2016 £	£	Interest payable £	Foreign exchange movement £	Other £	Fair value changes £	
Interest-bearing loans and borrowings	30,173,473	18,708,157	1,980,127	-	(34,958)	-	50,826,799
	30,173,473	18,708,157	1,980,127	-	(34,958)	-	50,826,799