

# **WELLESLEY FINANCE PLC**

Annual Report and Financial Statements

For 18 month period ending

31 December 2015

Company Number 08331511

# WELLESLEY FINANCE PLC

Report and financial statements  
For 18 month period ending 31 December 2015

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# WELLESLEY FINANCE PLC

## Officers and advisers

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### Directors

Alastair Caie (Appointed 3 August 2015)  
Andrew Moffat (Appointed 13 July 2015)  
Andrew Turnbull  
Graham Wellesley  
Gary Sher (Appointed 7 July 2015)  
Paul Cragg (Resigned 29 March 2016)  
Anthony Fane (Resigned 12 October 2015)  
Lorenzo Naldini (Resigned 21 October 2015)  
Paul Copson (Appointed 31 March 2015, Resigned 29 May 2015)

### Registered Office

6<sup>th</sup> 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

# WELLESLEY FINANCE PLC

## Strategic Report For 18 month period ending 31 December 2015

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### Overview

Wellesley Finance Plc (the "Company") is principally engaged in the provision of short and medium term finance for private borrowers in England and Wales. The lending is defined and managed in two principal categories: "Bridging" and "Development". These are managed by separate origination teams, supported by a credit committee and loans administration functions.

The Bridging team is principally engaged in the provision of finance for 6-12 months, where assets are usually existing buildings being prepared for sale, with works limited to minor refurbishment. Loans will typically be between £0.25m to £5m.

Development loans will tend to be longer in duration, up to 24 months, and will encompass both major refurbishments and ground up development. Borrowers are usually medium sized experienced developers with loans from £0.5m to £20m in scale.

In Bridging, where the team was established in H2 2015, we have concluded the first £20m of loans and are now well placed to grow strongly, with an emphasis of efficient broker relationships supported by direct contacts with investors.

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 ("P2P") 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 three to seven years.
2. Listed ISA Bond – An Irish stock exchange ISA eligible product.

### Operating and Financial Review

The Company has experienced significant growth over the period as the pace of expansion in the Development and Bridging business lines has increased. The Company generated £14.5m of net interest income during the 18 month period to 31 December 2015. This represents a significant increase over the prior period.

As the business has been focused on brand establishment and market penetration, there has been significant spend on administration expenses. Of the £13.0m in administration expenses, £6.3m relates to a management charge from Wellesley & Co Limited, in respect of marketing, promotional and other operating costs of the P2P platform. The Company has seen a significant increase in staff costs over the period from £0.1m to £4.3m as the loan origination and support team has been built up.

Profit before tax for the period was £1.2m which is a significant improvement on the prior period loss of £(0.6)m. This is as a result of the increase in the levels of transactions as the business has expanded and benefited from economies of scale.

### Key Performance Indicators ("KPIs")

The KPIs of the business at 31 December 2015 are: Net Lending<sup>(1)</sup> - £139m, Gross Loan Book<sup>(2)</sup> - £160m, Net interest margin ("NIM")<sup>(3)</sup> – 9%, and Profit before tax % - 5.1%. No comparatives for the prior period as data not available.

The KPIs represent important measures to monitor the performance of the business. The director's 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) Net Lending – Loan drawdowns less loan redemptions
- (2) Gross Loan Book – net lending plus interest receivable
- (3) NIM – net interest income/gross loan book

# WELLESLEY FINANCE PLC

Strategic Report *(continued)*  
For 18 month period ending 31 December 2015

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## Future Developments

The Company is looking to position the businesses as leaders in their markets. The Development team currently manages £234m of commitments and after successful growth in 2015, the intention is to grow this beyond £300m in 2016, through developing market share in a sector where the mainstream banks are constrained from competing due to the current capital requirements placed on development finance. In the medium term, we see there is market capacity to grow further whilst maintaining the vigilance noted in our market report below.

There has been significant investment in Credit Risk and Loans Administration in the period to support further growth; primarily in people and systems and in particular the building of an experienced Credit Risk team.

In assessing transactions for suitability, the Company will look at the following attributes of each transaction:

1) Benefit from good local infrastructure; 2) Without local oversupply; 3) Attractive to owner occupiers as well as investors; 4) Not reliant on international purchasers; and 5) Purchasers have good availability of finance.

The UK economy is now in its fourth year of recovery. Key to this growth is the service sector which is the only major sector where output has recovered in full since 2008 whilst construction is now growing at a healthy pace, albeit at a level which is just reaching the pre 2008 peak.

Supply of housing in the UK continues to lag the perceived demand. Accordingly, in locations without specific oversupply issues, well priced properties continue to sell. The dominance of the service sector has meant London has led the recovery in the housing markets. However as we enter 2016, with the combination of high recent growth, government intervention and global economic weakness, central markets are facing potential price deflation. However not all of London and South East England have seen the factors noted above and, in particular, where growth has been muted and the markets are below the levels affected by higher stamp duty charges, there remain good prospects for medium and long term growth. Further afield in the UK, growth has taken longer to become established and some locations remain below the pre 2008 peak. Accordingly, in areas with reasonable prosperity and benefitting from good or improving infrastructure, we can again expect good prospects for medium to long term growth.

In the short term, the last 12 months have seen unusually high levels of government intervention. First, the changes to stamp duty placed increased cost on properties over £1m and has halted growth in the overall market at this price point. When combined with the fact that many such units were being acquired by overseas purchasers, major questions must be asked about the prospects for the "average" +£1.5m flat or house in the central markets. More individual or bespoke properties can continue to buck this trend and demand for houses in particular remains strong.

## Business Review

The Board are pleased with the ongoing profitability for the entity, particularly one that has seen such significant year on year growth. This is after a specific assessment of the entire book for provisions, which identified the requirement for a provision of £1,293,260.

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

The Board anticipates that there will be elements of margin compression as the business moves up the quality and size scale.

# WELLESLEY FINANCE PLC

Strategic Report (continued)  
For 18 month period ending 31 December 2015

## Principal risks and uncertainties

The principal risks to the Company are as follows:

- Credit risk

The Company is exposed to the risk that customers owing the Company will not fulfil their obligations. The Company regularly reviews its lending criteria as well as its credit exposure to all customers. However, default risk may arise from events which are outside the Group's control, primarily customer under-performance due to factors such as business failure, adverse economic conditions or fraud.

The successful management of credit risk is central to the Company's business. The majority of the Company's lending is secured over the life of the assets. The credit risk from concentration is limited due to the relatively low value of each customer's debt and to the Company's large and diverse customer base. In order to ensure that arrears are minimised, emphasis is placed on retaining a diversified portfolio, using prudent underwriting methods and resisting the inclination to increase credit risk in the quest for increased volumes of new business.

The Company's financial asset exposure to counterparties is limited to derivatives and cash at bank.

- Liquidity risk

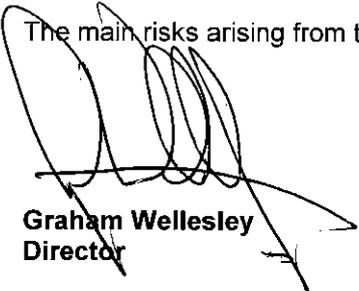
The Company is exposed to the liquidity risk arising from the requirement to fund its operations. Liquidity risk is the risk arising from unplanned decreases or changes in funding sources. The Company regularly reviews its forward cashflow and ensures it matches its assets and liabilities.

- Market risk

The Company is exposed to market risk in the form of interest rate and foreign exchange risk. Interest rate risk arises from a situation whereby there are adverse movements in the market interest rates. Risk is managed by establishing risk limits, reporting line mandates and other control procedures.

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

The main risks arising from the Company's financial instruments are detailed in note 25.



Graham Wellesley  
Director

Approved by order of the Board on 29/04/16

# WELLESLEY FINANCE PLC

## Report of the Directors For 18 month period ending 31 December 2015

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The Directors present the Strategic Report, Directors' Report and the financial statements of Wellesley Finance plc for the period ended 31 December 2015. The directors of the Company during the period were those listed on page 2.

### Results and dividends

The Company profit for the period before taxation was £1,187,160 (2014: loss before taxation £580,524). The taxation charge/(credit) for the period was £Nil (2014: £274,712).

The directors do not recommend the payment of a final dividend (2014: £Nil).

### Principal activities

The Company is engaged in the provision of short and medium term finance for private borrowers in England and Wales.

### Principal risk and uncertainties

The principal risks and management of these risks are detailed in the Strategic Report on page 3.

### Post balance sheet events

No information has been identified since the statement of financial position date about conditions existing at the statement of financial position date which is required to be disclosed in these financial statements

### 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") 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 applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# WELLESLEY FINANCE PLC

Report of the Directors (continued)  
For 18 month period ending 31 December 2015

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## Auditors

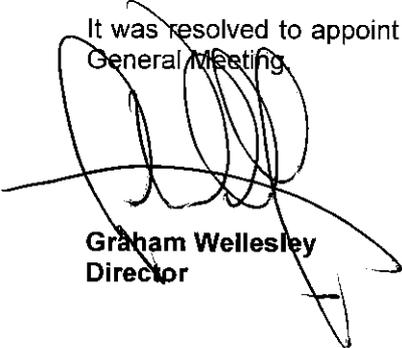
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

Macalvins Limited resigned as auditors of the Company during the period.

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



Graham Wellesley  
Director

Approved by the Board of Directors and signed on behalf of the Board on 29/04/16

# WELLESLEY FINANCE PLC

## Independent auditor's report For 18 month period ending 31 December 2015

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLESLEY FINANCE PLC

We have audited the financial statements of Wellesley Finance Plc for the period ended 31 December 2015 which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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

#### Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ("FRC's") Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

# WELLESLEY FINANCE PLC

## Independent auditor's report For 18 month period ending 31 December 2015

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### Matters on which we are required to report by exception

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

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

*BDO W*

*Leigh Wormald (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
Date 29 APRIL 2016*

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

# WELLESLEY FINANCE PLC

## Statement of income For 18 month period ending 31 December 2015

	Notes	18 month Period to 31 December 2015	Year to 30 June 2014
		£	£
Net interest income	5	14,479,059	607,534
Other operating income	6	481,167	72,940
Net income/(expense) from derivatives and other financial instruments at fair value through profit or loss	8	786,023	-
<b>Total operating income</b>		<b>15,746,249</b>	<b>680,474</b>
Administrative expenses	9	(13,001,164)	(1,149,416)
Provisions	17	(1,293,260)	-
<b>Profit from operations</b>		<b>1,451,825</b>	<b>(468,942)</b>
Bank interest	7	4,515	1,039
Interest expense	13	(269,180)	(112,621)
<b>Profit/(Loss) before tax</b>		<b>1,187,160</b>	<b>(580,524)</b>
Income tax charge	14	-	(274,712)
<b>Profit/(Loss) after taxation - attributable to the equity holders of the Company</b>		<b>1,187,160</b>	<b>(855,236)</b>

## Statement of other comprehensive income For 18 month period ending 31 December 2015

	18 month Period to 31 December 2015	Year to 30 June 2014
	£	£
Profit/(Loss) after taxation - attributable to the equity holders of the Company	1,187,160	(855,236)
Net change in fair value of investment securities	-	-
Tax on other comprehensive income	-	-
<b>Total other comprehensive income for the period, net of taxation</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/(losses) for the period, net of taxation</b>	<b>1,187,160</b>	<b>(855,236)</b>

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 14 to 46 form an integral part of these financial statements.

# WELLESLEY FINANCE PLC

## Statement of financial position For 18 month period ending 31 December 2015

	Notes	31 December 2015	30 June 2014	1 July 2013
		£	£	£
<b>Assets</b>				
<i>Non-current assets</i>				
Loans and advances to customers	15	404,294	304,534	-
Joint venture arrangement	16	1,113,787	-	-
		<b>1,518,081</b>	<b>304,534</b>	-
<i>Current assets</i>				
Cash and cash equivalents		22,037,630	1,421,881	-
Loans and advances to customers	15	15,738,130	990,646	-
Derivative financial assets	18	786,024	-	-
Other assets	19	7,318,449	4,751,998	2
<b>Total assets</b>		<b>47,398,314</b>	<b>7,469,059</b>	<b>2</b>
<b>Liabilities</b>				
<i>Current liabilities</i>				
Other liabilities	20	16,843,167	8,274,545	250
Interest-bearing loans and borrowings	21	-	-	-
		<b>16,843,167</b>	<b>8,274,545</b>	<b>250</b>
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings	21	30,173,473	-	-
Derivative financial liabilities	18	-	-	-
<b>Total liabilities</b>		<b>47,016,640</b>	<b>8,274,545</b>	<b>250</b>
<b>Net assets</b>		<b>381,674</b>	<b>(805,486)</b>	<b>(248)</b>
<b>Equity</b>				
Share capital	22	50,000	50,000	2
Retained earnings/(accumulated losses)		331,674	(855,486)	(250)
<b>Total equity</b>		<b>381,674</b>	<b>(805,486)</b>	<b>(248)</b>

The notes on pages 14 to 46 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 29/04/16..... and were signed on its behalf by:



**Alastair Caie**  
Director  
Company number 08331511



**Graham Wellesley**  
Director

# WELLESLEY FINANCE PLC

## Statement of changes in equity For 18 month period ending 31 December 2015

	Share capital £	Retained earnings/ (accumulated losses) £	Total equity £
<b>Balance at 1 July 2014</b>	50,000	(855,486)	(805,486)
<b>Total comprehensive income for the period</b>			
Profit/(loss) for the period	-	1,187,160	1,187,160
Other comprehensive income:			
Net change in fair value of investment securities	-	-	-
Tax on other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>50,000</b>	<b>331,674</b>	<b>381,674</b>
<b>Transactions with owners recorded directly in equity:</b>			
Issue of shares	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2015</b>	<b>50,000</b>	<b>331,674</b>	<b>381,674</b>
<b>Balance at 1 July 2013</b>	2	(250)	(248)
<b>Total comprehensive income for the year</b>			
Profit/(loss) for the year	-	(855,236)	(855,236)
Other comprehensive income:			
Net change in fair value of investment securities	-	-	-
Tax on other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>2</b>	<b>(855,486)</b>	<b>(855,484)</b>
<b>Transactions with owners recorded directly in equity:</b>			
Issue of shares	49,998	-	49,998
<b>Total contributions by and distributions to owners</b>	<b>49,998</b>	<b>-</b>	<b>49,998</b>
<b>Balance at 30 June 2014</b>	<b>50,000</b>	<b>(855,486)</b>	<b>(805,486)</b>

The notes on pages 14 to 46 are an integral part of these financial statements.

# WELLESLEY FINANCE PLC

## Statement of cash flows For 18 month period ending 31 December 2015

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
<b>Cash flows from operating activities</b>		
Profit/(Loss) before taxation	1,187,160	(580,524)
Adjustments for non-cash items:		
Net (expense)/income from derivatives and other financial instruments at fair value through profit or loss	(786,024)	-
Provisions on loans and advances	1,293,260	-
Foreign currency revaluation of loans and advances and cash balances	265,601	-
Write off of payable	301,375	-
	2,261,372	(580,524)
Adjustments for working capital items and loans & advances:		
(Increase)/decrease in other assets	(2,566,451)	(4,751,996)
Increase/ (decrease) in other liabilities	8,382,548	4,980,406
(Increase) in operating assets	(17,519,892)	(1,295,180)
Tax (paid)	(115,301)	-
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(9,557,724)</b>	<b>(1,647,294)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	49,998
Repayment of loans from related parties	-	(60,000)
Loans from related parties	-	3,079,177
Proceeds from interest-bearing loans and borrowings	32,495,310	-
Repayment of interest-bearing loans and borrowings	(2,321,837)	-
<b>Net cash used in financing activities</b>	<b>30,173,473</b>	<b>3,069,175</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>20,615,749</b>	<b>1,421,881</b>
Cash and cash equivalents at the start of the period	1,421,881	-
Movement during period	20,615,749	1,421,881
<b>Cash and cash equivalents at the end of the period</b>	<b>22,037,630</b>	<b>1,421,881</b>

The notes on pages 14 to 46 are an integral part of these financial statements.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015

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## 1 Nature of operations

Wellesley Finance Plc, is a specialist lender within the property bridging and development sector.

## 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 Company prepared its financial statements under United Kingdom Generally Accepted Accounting Practice ("UK GAAP") until 30 June 2014. UK GAAP differs in certain respects from IFRS, hence when preparing these financial statements, management has amended certain accounting and valuation methods and accounts disclosures to comply with IFRS. The financial statements, together with comparative figures for the period ended 30 June 2014, are presented in sterling. As required by IFRS 1, there is a full reconciliation between the UK GAAP and IFRS versions of the income statement and statement of financial position, including equity, provided in the notes of these financial statements. There is also a reconciliation of the statement of financial position at 1 July 2013, the first period when the Company transitioned to IFRS.

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;
- debt securities designated at fair value through profit or loss;
- fair value adjustments for portfolios of financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships, which reflect changes in fair value attributable to the risk being hedged.

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.

Information about areas of estimation, uncertainty and critical judgements in applying accounting Policies that have the most significant effect on the amounts recognised in the financial statements are included in Note 4.

### 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 case, not yet adopted by the EU. They are mandatory from the financial period beginning on or after the effective dates shown below but are not currently relevant to the Company (although they may affect the accounting for future transactions and events).

# WELLESLEY FINANCE PLC

## Notes forming part of the financial statements For 18 month period ending 31 December 2015

### 2 Basis of preparation *(Continued)*

#### 2.2 Future accounting developments *(Continued)*

- IFRS 9 – Financial instruments classification and measurement. Applicable for financial years beginning on or after 1 January 2018. IFRS 9 is yet to be endorsed by the EU
- IFRS 15 – Revenue from contracts with customers. Applicable for financial years beginning on or after 1 January 2018. IFRS 15 is yet to be endorsed by the EU

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;
- 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; and
- Hedge accounting: Hedge accounting will be more closely aligned with financial risk management. Adoption is not mandatory until periods beginning on or after 1 January 2018. The standard has not been endorsed by the EU. At this stage, it is not possible to determine the full potential financial impact, but it is expected that IFRS 9's impact on the Company will be in line with the industry, and considerably less significant compared to traditional lending institutions.

#### **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. Adoption of the standard is not expected to have a significant impact.

#### **IFRS 16 Leases**

IFRS 16 Leases applies to accounting periods beginning on or after 1 January 2019 but has not yet been endorsed for use by those entities applying EU IFRS. It requires lessees to bring all leases within its scope on balance sheet, showing an asset for the right of use and a liability for the discounted amount of future payments. The Directors of the Company have not yet considered the impact of this standard.

#### **Annual Improvements to IFRSs (2012–2014 Cycle)**

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

##### Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements of IAS 1
- That specific line items in the statements of profit or loss and other comprehensive income and the statements of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

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## 2 Basis of preparation (Continued)

### 2.2 Future accounting developments (Continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any 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, including a range of stressed scenarios, taking management actions into account as appropriate if the additional capital needed to continue the forecast growth strategy is not forthcoming. After making the enquiries, the Directors believe that the Company has sufficient capital to enable it to continue to meet its capital requirements.

## 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.

# WELLESLEY FINANCE PLC

## Notes forming part of the financial statements For 18 month period ending 31 December 2015 (Continued)

### 3 Significant accounting policies *(continued)*

#### 3.1 Interest income and expense *(continued)*

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

The Company holds a portion of each sterling denominated loan and advance originated on its statement of financial position. For the remaining portion of originated loans and advances, the Company acts as an agent on behalf of P2P customers. In respect of euro denominated loans and advances, the Company holds 100% of these on its statement of financial position. The Company is deemed to have an agency relationship as set out in IAS 18. As a result, the Company presents its revenue as net interest income which is the gross interest earned less the interest expense incurred.

#### 3.2 Other operating income

Arrangement fees and other fees (i.e. undrawn fees, administration fees) relating to loans and advances to customers are included within interest income as part of the EIR calculation.

Other fees which are not considered integral to the EIR are recognised on an accruals basis when the service has been provided or received.

#### 3.3 Fees

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.

#### 3.4 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.

##### 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 they are qualifying transfers and:

- 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 18 month period ending 31 December 2015  
(Continued)

## 3 Significant accounting policies (continued)

### 3.5 Financial instruments

#### Financial Assets

The Company classifies its financial assets (excluding derivatives) as either:

- loans and receivables;
- available for sale; and
- financial assets designated at fair value through profit and loss

The Company's accounting policy for each category 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 holds a portion of each sterling denominated loan and advance originated on its statement of financial position. For the remaining portion of originated loans and advances, the Company acts as an agent on behalf of P2P customers. In respect of euro denominated loans and advances, the Company holds 100% of these on its statement of financial position.

#### *Available for sale*

Available for sale financial assets are debt securities that are not held for trading and are intended to be held for an indefinite period of time. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at fair value based on current quoted bid prices in active markets for identical assets that the Company can access at the reporting date. Where there is no active market or the debt securities are unlisted the fair values are based on valuation techniques including discounted cash flow analysis, with reference to the relevant market rates, and other commonly used valuation techniques. Interest income is recognised in the income statement using the EIR method. Impairment losses are recognised in the income statement. Other fair value changes are recognised in the statement of other comprehensive income and presented in the available for sale reserve in equity. On disposal, the gain or loss accumulated in equity is reclassified into the income statement.

#### *Fair value assets designated at fair value through profit or loss*

Financial assets designated at fair value through profit or loss assets which have been designated as such to eliminate or significantly reduce a measurement and recognition inconsistency or where management specifically manages an asset or liability on that basis. These assets are measured at fair value based on current quoted bid prices in active markets for identical assets that the Company can access at the reporting date. Gains and losses from changes in the fair value are brought in to the income statement within 'Fair value movements through profit or loss' as they arise.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

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## 3 Significant accounting policies (continued)

### 3.5 Financial instruments (continued)

#### 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.

#### Provisions

##### Collective

All financial assets that are not found to be individually impaired are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

##### Specific

On an on-going basis the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset or 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 Company 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 difficulties experienced by the borrower; and
- initiation of bankruptcy proceedings

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.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

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## 3 Significant accounting policies *(continued)*

### 3.6 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 measure 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 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 issue of unobservable inputs. The chosen valuation techniques incorporate all the factors that market participants would take in to 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.

### 3.7 Joint venture arrangements

Joint ventures are arrangements in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement and is accounted for using the equity method of accounting in line with IFRS 11 Joint Arrangements.

Subsequently, joint ventures are accounted for using the equity methods, where the Company's share of post-acquisition profits and losses and other comprehensive income is recognised in the statement of comprehensive income.

### 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 there 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.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 3 Significant accounting policies (continued)

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

### 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.

### 3.12 Pensions

The cost of providing retirement benefits is charged to the income statement at the amount of the defined contribution payable for each year. Differences between contributions payable and those actually paid are shown as accruals or prepayment. The Company has no contributory benefit pension scheme.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 3 Significant accounting policies (continued)

### 3.13 Interest-bearing loans and borrowings

Interest-bearing loans and borrowings is a non-derivative financial liability with fixed or determinable payments. The interest-bearing loans and borrowings is recognised initially at fair value and subsequently measured at amortised cost. Interest costs arising are capitalised in accordance with agreed terms and incorporated into the total debt payable and recognised on an EIR basis.

### 3.14 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.

### 3.15 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.

### *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. Please see note 5 for details.

### *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 15 for details.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

5	Net interest income	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
	Net interest income	14,479,059	607,534
		<b>14,479,059</b>	<b>607,534</b>
6	Other operating income	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
	Other	481,167	72,940
		<b>481,167</b>	<b>72,940</b>
7	Bank interest	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
	Bank interest	4,515	1,039
		<b>4,515</b>	<b>1,039</b>
8	Net (expenses)/income from derivatives and other financial instruments at fair values through profit or loss	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
	Net gains on assets designated at fair value through profit or loss	786,023	-
		<b>786,023</b>	<b>-</b>

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 9 Administrative expenses

	Note	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Staff costs	10	4,272,504	142,078
Advertising & marketing		-	51,689
Legal & professional		104,027	12,000
Irrecoverable VAT		1,316,658	106,800
FX on foreign currency loans		805,965	-
Management charge		6,252,779	835,285
Other administrative expenses		249,231	1,564
		<b>13,001,164</b>	<b>1,149,416</b>

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

## 10 Staff costs

		18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Staff cost have been allocated per department as follows:			
Wages and salaries			
Central functions		2,693,170	21,513
Operations		257,170	25,266
Credit		105,635	-
Development		633,949	81,502
Bridge		225,843	-
		<b>3,915,767</b>	<b>128,281</b>
Social security costs		356,737	13,797
		<b>4,272,504</b>	<b>142,078</b>

		18 month Period to 31 December 2015	Year to 30 June 2014
Staff numbers have been allocated per department as follows at the period end:			
Central functions		9	8
Operations		4	1
Credit		1	-
Development		5	2
Bridge		2	-
Marketing		3	-
		<b>24</b>	<b>11</b>

The average number of persons employed by the Company during the period was 24 (30 June 2014: 11)

All key management personnel are directors of the Company

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 11 Key management personnel remuneration

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Directors' emoluments - short term employee benefit	1,569,531	67,607
	<b>1,569,531</b>	<b>67,607</b>

The emoluments for the highest paid director during the period was £447,475 (30 June 2014: £67,607). The prior period figure was stated at £33,333 which was incorrect and is being restated in these financial statements.

## 12 Auditor's remuneration

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Auditor's remuneration	27,500	12,000
<i>Amounts receivable by the Company's auditor and their associates in respect of other services:</i>		
Tax compliance services	6,000	3,000
Other advisory services	-	-
	<b>33,500</b>	<b>15,000</b>

## 13 Interest expense

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Interest expense	269,180	112,621
	<b>269,180</b>	<b>112,621</b>

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 14 Taxation

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Recognised in the Statement of Comprehensive Income	-	274,712
<b>Current tax:</b>		
UK corporation tax at 20.50%	-	274,712
<b>Total current tax</b>	-	<b>274,712</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary difference	-	-
<b>Total deferred tax</b>	-	-
<b>Total tax charge</b>	-	<b>274,712</b>
<b>Reconciliation of tax charge:</b>		
Profit on ordinary activities before tax	1,187,160	(580,524)
Tax on profit/(loss) on ordinary activities at standard corporation tax rate of 20.50%	243,368	(130,626)
Effects of:		
Expenses not deductible for tax purposes	-	67,660
Adjustments for losses	-	(56)
Adjustment to prior year relating to first time adoption of IFRS	-	337,734
Income not taxable for tax purposes	(307,692)	-
Group relief surrendered/(claimed)	64,324	-
<b>Total tax charge</b>	-	<b>274,712</b>

## 15 Loans and advances to customers

	31 December 2015 £	30 June 2014 £
Gross loan receivables	17,435,684	1,295,180
Less provisions	(1,293,260)	-
	<b>16,142,424</b>	<b>1,295,180</b>
Amounts falling due:		
Within one year	15,738,130	990,646
In the second to fifth year inclusive	404,294	304,534
After five years	-	-
	<b>16,142,424</b>	<b>1,295,180</b>

# WELLESLEY FINANCE PLC

## Notes forming part of the financial statements For 18 month period ending 31 December 2015 (Continued)

### 16 Joint ventures

	31 December 2015	30 June 2014
	£	£
Cost of investment in joint venture	1,113,787	-
Share of post-acquisition profit	-	-
	1,113,787	-

In September 2015, the Company undertook a restructuring of one of its loans in Spain. As a result of this restructuring, the Company has entered into a 50:50 joint venture with the underlying Spanish operating company, International Can Puig Building, Sociedad Limitada. The joint venture is accounted for based on the equity method of accounting under IFRS 11 Joint Arrangements.

Due to the disproportionate cost of obtaining financial statements for this joint venture, the directors have not included disclosure of the assets and liabilities as at the period end date or the profit and loss for the period since acquisition. However, due to the proximity to the period end that the investment was made, there is no indication of impairment of this financial asset or that any profit or loss would be material.

### 17 Provisions

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

	31 December 2015	30 June 2014
	£	£
At the beginning of the period	-	-
Charge for provisions	1,293,260	-
Unwind of discounting	-	-
Write-offs net of recoveries	-	-
<b>At the end of the period</b>	<b>1,293,260</b>	<b>-</b>

### 18 Derivatives held for risk management

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

	31 December 2015		30 June 2014			
	Assets	Liabilities	Assets	Liabilities		
	£	£	£	£	£	£
Foreign exchange	786,024	-	-	-	-	-
	786,024	-	-	-	-	-

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

# WELLESLEY FINANCE PLC

**Notes forming part of the financial statements**  
**For 18 month period ending 31 December 2015**  
*(Continued)*

## 19 Other assets

	31 December 2015	30 June 2014
	£	£
Other receivables	375,510	211,821
Funds in transit to customer	-	4,363,709
Amounts owed by group undertakings	6,942,939	176,468
	<b>7,318,449</b>	<b>4,751,998</b>

## 20 Other liabilities

	31 December 2015	30 June 2014
	£	£
Trade payables	5,599	8,170
Other taxation and social security costs	108,914	12,098
Accruals and deferred income	14,546,072	4,008,695
Corporation tax payable	-	274,712
Other payables	49,998	951,693
Amounts owed to group undertakings	2,132,584	3,019,177
	<b>16,843,167</b>	<b>8,274,545</b>

## 21 Interest-bearing loans and borrowings

	31 December 2015	30 June 2014
	£	£
At the beginning of the period	-	-
Issued in the period	32,495,310	-
Repaid in the period	(3,141,719)	-
Interest expense	819,882	-
<b>Total loans and borrowings at the end of the period</b>	<b>30,173,473</b>	<b>-</b>
Due within one year	-	-
Due over one year	30,173,473	-
	<b>30,173,473</b>	<b>-</b>

Interest-bearing loans and borrowings consist of a Minibond (£25,440,473) and an Irish Listed ISA bond (£4,733,000). 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%.

## 22 Share capital

	31 December 2015	30 June 2014
	£	£
50,000 issued ordinary shares at £1 each (50,000 authorised ordinary shares at £1 each)	50,000	50,000
	<b>50,000</b>	<b>50,000</b>

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

# WELLESLEY FINANCE PLC

## Notes forming part of the financial statements For 18 month period ending 31 December 2015 (Continued)

### 23 Financial instruments and fair values

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

31 December 2015	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Loans and advances to customers	16,142,424	-	-	16,142,424
Derivatives held for risk management	-	786,024	-	786,024
<b>Total financial assets</b>	<b>16,142,424</b>	<b>786,024</b>	<b>-</b>	<b>16,928,448</b>

	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Derivatives held for risk management	-	-	-	-
Interest-bearing loans and borrowings	-	-	30,173,473	30,173,473
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>30,173,473</b>	<b>30,173,473</b>

30 June 2014	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Loans and advances to customers	1,295,180	-	-	1,295,180
Derivatives held for risk management	-	-	-	-
<b>Total financial assets</b>	<b>1,295,180</b>	<b>-</b>	<b>-</b>	<b>1,295,180</b>

	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Derivatives held for risk management	-	-	-	-
Interest-bearing loans and borrowings	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# WELLESLEY FINANCE PLC

**Notes forming part of the financial statements**  
**For 18 month period ending 31 December 2015**  
*(Continued)*

## 23 Financial instruments and fair values *(continued)*

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 measure 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)

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 3 based on the degree to which the fair value is observable:

31 December 2015	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets</b>				
Derivatives held for risk management	-	786,024	-	786,024
<b>Total financial assets</b>	-	786,024	-	786,024
<b>Financial liabilities</b>				
Derivatives held for risk management	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	-
30 June 2014	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets</b>				
Derivatives held for risk management	-	-	-	-
<b>Total financial assets</b>	-	-	-	-
<b>Financial liabilities</b>				
Derivatives held for risk management	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	-

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 24 Commitments and contingent liabilities

At 31 December 2015, the Company had undrawn commitments to lend £6,731,324 (30 June 2014: £647,262).

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

	31 December 2015	30 June 2014
	£	£
Amounts falling due:		
Within one year	2,264,802	647,262
In the second to fifth year inclusive	4,466,522	-
After five years	-	-
	<b>6,731,324</b>	<b>647,262</b>

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 25 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 principle business activity is providing short term residential property loans. Whilst the Company makes assignments of the senior portions of these loans off-balance sheet to its retail customers, the Company still faces underlying credit risk both on the retained portion of every loan and also from the perspective that it would make good customer losses using its own funds in the event of a default for commercial reasons. 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 must regularly reassess 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:

31 December 2015	Total
<b>Loans and advances to customers</b>	<b>£</b>
Neither past due nor impaired	8,834,086
Past due but not impaired	6,839,354
Impaired	468,984
<b>Loans and advances to customers</b>	<b>16,142,424</b>
30 June 2014	Total
<b>Loans and advances to customers</b>	<b>£</b>
Neither past due nor impaired	1,295,180
Past due but not impaired	-
Impaired	-
<b>Loans and advances to customers</b>	<b>1,295,180</b>

# WELLESLEY FINANCE PLC

**Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)**

## 25 Risk management (continued)

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

<b>31 December 2015</b>	<b>Total</b>
<b>Loans and advances past due but not impaired</b>	<b>£</b>
Overdue by three months	6,593,011
Overdue between three months to six months	84,945
Overdue by greater than six months	161,398
	<b>6,839,354</b>
<b>30 June 2014</b>	<b>Total</b>
<b>Loans and advances past due but not impaired</b>	<b>£</b>
Overdue by three months	-
Overdue between three months to six months	-
Overdue by greater than six months	-
	<b>-</b>

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

	<b>31 December 2015</b>	<b>30 June 2014</b>
	<b>£</b>	<b>£</b>
<b>Financial assets</b>		
Cash and cash equivalents	22,037,630	1,421,881
Loans and advances to customers	16,142,424	1,295,180
Other assets	7,318,449	4,751,998
Derivative financial assets	786,024	-
	<b>46,284,527</b>	<b>7,469,059</b>
Contractual commitments	6,731,324	647,262
<b>Total credit risk</b>	<b>53,015,851</b>	<b>8,116,321</b>
	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Financial liabilities</b>		
Interest-bearing loans and borrowings	30,173,473	-
Derivative financial liabilities	-	-
<b>Total counterparty risk</b>	<b>30,173,473</b>	<b>-</b>

# WELLESLEY FINANCE PLC

## Notes forming part of the financial statements For 18 month period ending 31 December 2015 (Continued)

### 25 Risk management (continued)

Contractual commitments represent agreements entered into but not advanced as at 31 December 2015.

The above table represents the maximum credit risk exposure to the Company at 31 December 2015 and 30 June 2014 without taking account of any underlying security. 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 2015 was £40,865,809. 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:

	31 December 2015	30 June 2014
	€	€
Amounts falling due:		
Within one year	9,231,730	-
In the second to fifth year inclusive	1,983,500	-
After five years	-	-
	<u>11,215,230</u>	<u>-</u>

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

	31 December 2015	30 June 2014
	£	£
Amounts falling due:		
Within one year	7,475,033	-
In the second to fifth year inclusive	1,578,090	-
After five years	-	-
	<u>9,053,123</u>	<u>-</u>

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

	31 December 2015	30 June 2014
	£	£
Amounts falling due:		
Within one year	16,843,167	8,274,545
In the second to fifth year inclusive	-	-
After five years	30,173,473	-
	<u>47,016,640</u>	<u>8,274,545</u>

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

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## 25 Risk management (continued)

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.

### *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. The Asset and Liability Committee ("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.

### 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 the 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.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 25 Risk management (continued)

### 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:

	31 December 2015	30 June 2014
	£	£
<b>Assets and liabilities in Euros at sterling carrying values</b>		
Loans and advances to customers	8,132,361	-
Cash and cash equivalents	1,491,581	-
Deferred income	(703,328)	-
<b>Net position</b>	<b>8,920,614</b>	<b>-</b>

### Interest rate sensitivity gap

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 - £182,053/£(174,914) (2014: £Nil)

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

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## 25 Risk management (continued)

### *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.

### *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
- a potential introduction of an employee incentive scheme (yet to be approved) which will include medical, critical illness cover, pension etc.

# WELLESLEY FINANCE PLC

**Notes forming part of the financial statements**  
**For 18 month period ending 31 December 2015**  
*(Continued)*

## 25 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 less provisions. The details are below:

	31 December 2015	30 June 2014
	£	£
Share capital	50,000	50,000
Retained earnings	331,674	(855,486)
<b>Common equity capital</b>	<b>381,674</b>	<b>(805,486)</b>
Interest-bearing loans and borrowings	30,173,473	-
<b>Other capital</b>	<b>30,173,473</b>	-
<b>Total capital base</b>	<b>30,555,147</b>	<b>(805,486)</b>
	31 December 2015	30 June 2014
	£	£
Capital base	30,555,147	(805,486)
Interest-bearing loans and borrowings	(30,173,473)	-
<b>Total equity</b>	<b>381,674</b>	<b>(805,486)</b>

The Company is not subject to external regulatory capital requirements. 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 18 month period ending 31 December 2015  
(Continued)

## 26 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:

The following are details of peer to peer accounts held by directors of the Company:

	31 December 2015	30 June 2014
	£	£
<i>Funded Peer to Peer Accounts</i>		
Opening balance	10,081	10,000
Advances	10,000	-
Repayments	(20,354)	-
Interest	283	81
	<u>10</u>	<u>10,081</u>

The maximum balance during the period was £15,672 (2014: £10,081).

# WELLESLEY FINANCE PLC

## Notes forming part of the financial statements For 18 month period ending 31 December 2015 (Continued)

### 26 Related party transactions (continued)

The Company is owed the below from the following related party entities:

	31 December 2015	30 June 2014
	£	£
<i>Wellesley &amp; Co Limited</i>		
Opening balance	126,467	-
Advances	17,886,240	1,705,861
Repayments	(17,460,820)	(1,579,394)
	<b>551,887</b>	<b>126,467</b>

The maximum balance during the period was £6,192,159 (2014: £926,221)

	31 December 2015	30 June 2014
	£	£
<i>Wellesley Group Investors Limited</i>		
Opening balance	50,001	-
Advances	7,173,500	50,594
Repayments	(3,026,099)	(593)
	<b>4,197,402</b>	<b>50,001</b>

The maximum balance during the period was £6,175,002 (2014: £50,001)

	31 December 2015	30 June 2014
	£	£
<i>Wellesley Secured Funding Limited</i>		
Opening balance	-	-
Advances	397,284	-
Repayments	(336,218)	-
	<b>61,066</b>	<b>-</b>

The maximum balance during the period was £61,066 (2014: £Nil)

Wellesley Group Investors Limited is the immediate parent of the Company. Wellesley & Co Limited and Wellesley Secured Funding Limited are also wholly owned subsidiaries of Wellesley Group Investors Limited. The above transactions are considered to be at arm's length.

# WELLESLEY FINANCE PLC

## Notes forming part of the financial statements For 18 month period ending 31 December 2015 (Continued)

### 26 Related party transactions (continued)

	31 December 2015	30 June 2014
	£	£
<i>Loans owed to Milner Limited</i>		
Opening balance	1,013,044	-
Advances	-	1,000,000
Repayments	(1,106,079)	-
Interest	93,035	13,044
	<u>-</u>	<u>1,013,044</u>

The maximum balance during the period was £1,031,948 (2014: £1,013,044).

	31 December 2015	30 June 2014
	£	£
<i>Loans owed to Chalet Valentine Limited</i>		
Opening balance	1,030,616	-
Advances	-	1,000,000
Repayments	(1,121,419)	-
Interest	90,803	30,616
	<u>-</u>	<u>1,030,616</u>

The maximum balance during the period was £1,049,520 (2014: £1,030,616).

	31 December 2015	30 June 2014
	£	£
<i>Loans owed to Anthony Fane</i>		
Opening balance	1,088,138	-
Advances	-	1,079,177
Repayments	(1,173,480)	(60,000)
Interest	85,342	68,961
	<u>-</u>	<u>1,088,138</u>

The maximum balance during the period was £1,088,138 (2014: £1,088,138).

The Company has received loans from Milner Limited, Chalet Valentine Limited and Anthony Fane. Milner Limited, Chalet Valentine Limited and Anthony Fane are shareholders in the immediate parent of the Company, Wellesley Group Investors Limited. At the period end, the loans were repaid.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

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## 27 Ultimate controlling party

Wellesley Group Investors 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.

## 28 Events after the statement of financial position date

No information has been identified since the statement of financial position date about conditions existing at the statement of financial position date which is required to be disclosed in these financial statements.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

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## 29 Reconciliation of UK GAAP to IFRS

On 1 July 2013, the Company transitioned to IFRS in place of UK GAAP. In accordance with IFRS 1, the directors have provided a reconciliation from UK GAAP to IFRS for the income statement and statement of financial position at 30 June 2014. In addition, a reconciliation has been provided for the opening statement of financial position on 1 July 2013.

IFRS 1 requires the Company to explain how the transition from previous UK GAAP to IFRS affected its financial position and performance. Notes are provided to explain the adjustments which were put through.

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 29 Reconciliation of UK GAAP to IFRS (continued)

Income statement: reconciliation from UK GAAP to IFRS

Year to 30 June 2014	Notes	UK GAAP £	IFRS adjustment £	IFRS £
Net interest income	1/2	2,108,538	(1,501,004)	607,534
Other operating income		72,940	-	72,940
<b>Total operating income</b>		<b>2,181,478</b>	<b>(1,501,004)</b>	<b>680,474</b>
Administrative expenses		(1,149,416)	-	(1,149,416)
Provisions		-	-	-
<b>Profit/(Loss) from operations</b>		<b>1,032,062</b>	<b>(1,501,004)</b>	<b>(468,942)</b>
Bank interest		1,039	-	1,039
Interest expense	2	(112,621)	-	(112,621)
<b>Profit/(Loss) before tax</b>		<b>920,480</b>	<b>(1,501,004)</b>	<b>(580,524)</b>
Income tax charge		(274,712)	-	(274,712)
<b>Profit/(Loss) after taxation - attributable to the equity holders of the Company</b>		<b>645,768</b>	<b>(1,501,004)</b>	<b>(855,236)</b>

**Notes:**

- 1 Under IFRS, interest income is calculated under the Effective Interest Rate method which incorporates all income streams on a loan along with transaction costs in acquiring that loan. Previously, under UK GAAP, the Company did not adopt FRS 26: Financial Instruments: Recognition and Measurement. An adjustment is required to convert from UK GAAP to IFRS
- 2 Under IFRS, interest expense is calculated under the Effective Interest Rate method. Previously, under UK GAAP, the Company did not adopt FRS 26: Financial Instruments: Recognition and Measurement. An adjustment is required to convert from UK GAAP to IFRS

# WELLESLEY FINANCE PLC

## Notes forming part of the financial statements For 18 month period ending 31 December 2015 (Continued)

### 29 Reconciliation of UK GAAP to IFRS (continued)

Statement of financial position: reconciliation from UK GAAP to IFRS

As at 30 June 2014	Notes	UK GAAP	IFRS Adjustment	IFRS
Assets		£	£	£
<i>Non-current assets</i>				
Loans and advances to customers	1	483,545	(179,011)	304,534
		<b>483,545</b>	<b>(179,011)</b>	<b>304,534</b>
<i>Current assets</i>				
Cash and cash equivalents		1,421,881	-	1,421,881
Loans and advances to customers		801,481	189,165	990,646
Other assets	2	4,465,329	286,669	4,751,998
<b>Total assets</b>		<b>7,172,236</b>	<b>296,823</b>	<b>7,469,059</b>
<i>Liabilities</i>				
<i>Current liabilities</i>				
Other liabilities	3	6,476,718	1,797,827	8,274,545
Interest-bearing loans and borrowings		-	-	-
		<b>6,476,718</b>	<b>1,797,827</b>	<b>8,274,545</b>
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings		-	-	-
Derivative financial liabilities		-	-	-
<b>Total liabilities</b>		<b>6,476,718</b>	<b>1,797,827</b>	<b>8,274,545</b>
<b>Net assets</b>		<b>695,518</b>	<b>(1,501,004)</b>	<b>(805,486)</b>
<i>Equity</i>				
Share capital		50,000	-	50,000
Retained earnings/(accumulated losses)		645,518	(1,501,004)	(855,486)
<b>Total equity</b>		<b>695,518</b>	<b>(1,501,004)</b>	<b>(805,486)</b>
<b>Total equity</b>		<b>695,518</b>	<b>(1,501,004)</b>	<b>(805,486)</b>

#### Notes:

- Under IFRS, interest income is calculated under the Effective Interest Rate method which incorporates all income streams on a loan along with transaction costs in acquiring that loan. Previously, under UK GAAP, the Company did not adopt FRS 26: Financial Instruments: Recognition and Measurement. An adjustment is required to convert from UK GAAP to IFRS
- As a result of the conversion to IFRS, the Company has incurred a loss before tax and thus is expected to be in a corporation tax
- Under IFRS, interest expense is calculated under the Effective Interest Rate method. Previously, under UK GAAP, the Company did not adopt FRS 26: Financial Instruments: Recognition and Measurement. An adjustment is required to convert from UK GAAP to IFRS

# WELLESLEY FINANCE PLC

Notes forming part of the financial statements  
For 18 month period ending 31 December 2015  
(Continued)

## 29 Reconciliation of UK GAAP to IFRS (continued)

Statement of financial position: reconciliation from UK GAAP to IFRS

Notes	UK GAAP	IFRS Adjustment	IFRS
	£	£	£
<b>As at 1 July 2013</b>			
<b>Assets</b>			
<i>Non-current assets</i>			
Loans and advances to customers	-	-	-
	-	-	-
<i>Current assets</i>			
Cash and cash equivalents	-	-	-
Derivative financial assets	-	-	-
Other assets	2	-	2
<b>Total assets</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Other liabilities	250	-	250
Interest-bearing loans and borrowings	-	-	-
	250	-	250
<i>Non-current liabilities</i>			
Interest-bearing loans and borrowings	-	-	-
Derivative financial liabilities	-	-	-
<b>Total liabilities</b>	<b>250</b>	<b>-</b>	<b>250</b>
<b>Net assets</b>	<b>(248)</b>	<b>-</b>	<b>(248)</b>
<b>Equity</b>			
Share capital	2	-	2
Retained earnings/(accumulated losses)	(250)	-	(250)
<b>Total equity</b>	<b>(248)</b>	<b>-</b>	<b>(248)</b>
<b>Total equity</b>	<b>(248)</b>	<b>-</b>	<b>(248)</b>

**Notes:**

1 There were no IFRS adjustments on conversion from UK GAAP at 1 July 2013

