WELLESLEY SECURED FINANCE PLC

Annual Report and Financial Statements

For the period from 16 January 2017 (period of incorporation) to 31 December 2017

Company Number 10565816

WELLESLEY SECURED FINANCE PLC

Report and financial statements
For the period from 16 January 2017 (period of incorporation) to 31 December 2017

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Officers and advisers

Directors

Stephen John Bell (Appointed 25 May 2017, Resigned 5 April 2018)
Intertrust Directors 1 Limited (Appointed 16 January 2017)
Intertrust Directors 2 Limited (Appointed 16 January 2017)
Alasdair Bruce Lenman (Appointed 16 January 2017, Resigned 25 May 2017)
Ian Charles Sholto McKenzie (Appointed 5 April 2018)

Company Secretary

Intertrust Corporate Services Limited (Appointed 16 January 2017)

Registered Office

35 Great St. Helen's, London, EC3A 6AP

Company Registration Number

10565816

Auditors

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

Bankers

US Bank, 125 Old Broad Street, London, EC2N 1AR

Legal Advisers

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

WELLESLEY SECURED FINANCE PLC

Strategic report
For the period from 16 January 2017 (period of incorporation) to 31 December 2017

Overview

Wellesley Secured Finance plc (the "Company") was incorporated on 16 January 2017. The principal activity of the Company is to purchase loans and advances from Wellesley Finance plc with funds raised in respect of its Irish listed bond programme. Wellesley Finance plc services these loans on behalf of the Company.

Operating and Financial Review

The Company's income was £154k. The Company's administrative expenses for the period were £61k. The Company generated a loss before taxation of £16k for the period**.**

Business Review

The directors are satisfied with the ongoing performance of the Company.

The Key Performance Indicators ("KPIs") of the Company at 31 December 2017 are: Loan book: £5.3m, Loss before tax %: 32.5% and Cost to income ratio %: 133%.

The KPIs represent important measures to monitor the performance of the business. The directors review these KPIs to assess the performance. This enables decisions to be made on the direction of the business.

Principal risks and uncertainties

The principal risks to the Company are as follows:

- Credit risk

  The Company's principal business activity is purchasing property development loans from Wellesley Finance plc. 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 which has resulted in favourable conditions for lending. The board regularly reassess its view on the risks presented by the market and the overall stage of the property cycle. Changes to interest rates could potentially impact the value of the properties to which the loans and advances of the Company are secured against.

- Market risk

  The Company's engages Wellesley Finance plc to service and manage the loans. The treasury function of the wider Wellesley group manages the Company's exposure to all aspects of interest rate risk. The Wellesley group's Asset and Liability Committee ("ALCO") regularly convenes to consider reports on all aspects of interest rate risk.

- Operational risk

  The Company is exposed to the risk of losses arising from inadequate or failed procedures, systems or policies and other events that disrupt business processes of wider Wellesley group of companies.

  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.

- Liquidity Risk

  The Company's sources of funding are all retail bond products. The Company faces the liquidity risk of investors requesting early access of their funds.

  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. The Company monitors its forward cash flow position and Wellesley Finance plc prefunds the interest liability of each series fundraising by providing the Company with a credit facility.

The main risks arising from the Company's financial instruments are detailed in note 16.

On behalf of the Board

Claudia Wallace
Per pro Intertrust Directors 1 Limited
Director

31 May 2018

Report of the Directors
For the period from 16 January 2017 (period of incorporation) to 31 December 2017

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

Results and dividends

The Company made a loss before taxation for the period of £16k.

The directors do not recommend the payment of a final dividend.

Principal activities

The principal activity of the Company is to purchase loans and advances from Wellesley Finance plc with funds raised in respect of its Irish listed bond programme.

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 expand the Secured Note Programme and ensure the Company trades profitably.

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.

Corporate Governance

The Directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been listed on the Irish Stock Exchange, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the disclosure requirements of the Irish Corporate Governance Annex and the provisions of the UK Corporate Governance Code.

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. As a new business, the Company has incurred set up costs in 2017 and the Directors expect the operating expenses to normalise over the period contributing to its profitability from the date of approval of the financial statements. The Directors are satisfied that the liquidity of the Company will be met by any future issuance of bonds through its Irish listed bond programme. Wellesley Finance plc prefunds the interest liability of each series fundraising by providing the Company with a credit facility. In addition, Wellesley Finance plc provided the Company with a facility to fund the initial set up costs of the entity.

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.

On behalf of the Board

Claudia Wallace
Per pro Intertrust Directors 1 Limited
Director

31 May 2018

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

Opinion

We have audited the financial statements of Wellesley Secured Finance Plc for the period 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 loss for the period 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.

<table>
<tr><th>Matter</th><th>Response</th></tr>
<tr><td>Carrying value of loan portfolio

The company acquires portions of development property loans from a loan originator. The loan portfolio is included in the statement of financial position at a value of £5.3 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 fully recoverable. (refer to note 4 in the financial statements).</td><td>We substantively tested the loan balance at year end by:

• Agreeing the portions of the loans that were purchased 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; and
• Recalculating the effective interest rate revenue that forms part of the balance of the loan at the year-end.

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:

• 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; and
• Agreeing and assessed the data and inputs used in management's assessment of the future cashflows.</td></tr>
</table>

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<tr>
<td>Revenue recognition - income on owned portfolios

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 to the loan acquired by using an effective interest rate method as described in the accounting policies in note 3.1.</td>
<td>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:

• Agreed the source data such as interest rate, capitalisation periods, term and a range of fees to the relevant loan contracts;
• Agreed the purchase of the loan from the loan servicer to the loan documentation and the relevant percentage stake obtained of the original loan;
• Agreed current year drawdowns, fees and full and partial redemptions to bank statements and loan documentation in respect of the original loan;
• Recalculated 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;
• Recalculated the portion of the acquired loan attributable to the company and the relevant portions of cash flows attributable to the company; and
• Evaluated and recalculated the Internal Rate of Return for the original loan and the allocation of the return to the acquired portion of the loans as it is used to apply the Effective Interest Rate to recognise revenue over the life of the loan.</td>
</tr>
</table>

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: £56,000
Basis of determining materiality: 1.0% of total assets

Performance materiality: £36,400
Basis for performance materiality: 65% of materiality

Threshold for reporting to those charged with governance: £1,120

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 Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of £1,120. 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 3 to 6. 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.

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 5, 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

We were appointed by the board of directors on the 19th of December 2017 to audit the financial statements for the period ending 31 December 2017 and subsequent financial periods. This is the first financial year for which we have been engaged as auditor.

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 audit committee.

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,
31 May 2018

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

WELLESLEY SECURED FINANCE PLC

Statement of profit and loss
For the period from 16 January 2017 (period of incorporation) to 31 December 2017

	Notes	Period from 16 January 2017 (date of incorporation) to 31 December 2017 £
Interest income		153,859
Interest expense		(104,117)
Net interest income		**49,742**
Administrative expenses	5	(60,961)
Loss from operations		**(11,219)**
Bank interest		-
Interest expense on related party loan	17	(4,969)
Loss before taxation		**(16,188)**
Income tax charge	8	(190)
Loss after taxation - attributable to the equity holders of the Company		**(16,378)**

Statement of other comprehensive income
For the period from 16 January 2017 (period of incorporation) to 31 December 2017

	Period from 16 January 2017 (date of incorporation) to 31 December 2017 £
Loss after taxation - attributable to the equity holders of the Company	**(16,378)**
Tax on other comprehensive loss	-
Total other comprehensive income for the period, net of taxation	**-**
Total comprehensive loss for the period, net of taxation	**(16,378)**

WELLESLEY SECURED FINANCE PLC

Statement of financial position
For the period from 16 January 2017 (period of incorporation) to 31 December 2017

	Notes	31 December 2017
Assets		**£**
Non-current assets		
Loans and advances to customers	9	3,244,096
		3,244,096
Current assets		
Cash and cash equivalents		439,360
Loans and advances to customers	9	2,024,575
Other assets	10	15,906
Total assets		**5,723,937**
Liabilities		
Current liabilities		
Other liabilities	11	611,367
Interest-bearing loans and borrowings	12	196,805
		808,172
Non-current liabilities		
Interest-bearing loans and borrowings	12	4,882,143
Total liabilities		**5,690,315**
Equity		
Share capital	13	50,000
Retained earnings		(16,378)
Total equity		**33,622**
Total equity and liabilities		**5,723,937**

The notes on pages 17 to 33 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 31 May 2018 and were signed on behalf of the Board by:

Claudia Wallace
Per pro Intertrust Directors 1 Limited
Director

31 May 2018

WELLESLEY SECURED FINANCE PLC

Statement of changes in equity
For the period from 16 January 2017 (period of incorporation) to 31 December 2017

	Share capital £	Retained earnings £	Total equity £
Balance at 16 January 2017 (date of incorporation)	**-**	**-**	**-**
Total comprehensive loss for the period			
Loss for the period	-	(16,378)	(16,378)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	**-**	**(16,378)**	**(16,378)**
Transactions with owners recorded directly in equity:			
Issue of shares	50,000	-	50,000
Total contributions by and distributions to owners	**50,000**	**-**	**50,000**
Balance at 31 December 2017	**50,000**	**(16,378)**	**33,622**

The notes on pages 17 to 33 are an integral part of these financial statements.

WELLESLEY SECURED FINANCE PLC

Statement of cash flows
For the period from 16 January 2017 (period of incorporation) to 31 December 2017

	Note	Period from 16 January 2017 (date of incorporation) to 31 December 2017 £
Cash flows from operating activities		
Loss before taxation		(16,188)
Adjustments for working capital items and loans & advances:		
(Increase) in other assets		(15,906)
Increase in other liabilities		611,177
(Increase) in operating assets		(5,268,671)
Net cash flows used in operating activities		**(4,689,588)**
Cash flows from financing activities		
Proceeds from interest-bearing loans and borrowings	20	5,078,948
Proceeds from issuance of shares		50,000
Net cash generated from financing activities		**5,128,948**
Net increase in cash and cash equivalents		**439,360**
Cash and cash equivalents at the start of the period		-
Movement during the period		439,360
Cash and cash equivalents at the end of the period		**439,360**

The notes on pages 17 to 33 are an integral part of these financial statements.

1 Nature of operations

Wellesley Secured Finance plc, is a securitised vehicle which raises capital on the Irish Stock Exchange to buy portions of residential development property loans.

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").

There are no comparatives.

The presentational currency of the financial statements is Sterling.

The preparation of the financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

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 throughout the year.

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.

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 enclosed 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.

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. The contracts that the Company have with customers fall under IFRS 9 Financial Instruments and falls outside the remit of IFRS 15 Revenue from Contracts with Customers therefore no material impact.

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 does not hold any leases and as such there will be no impact of the Company of IFRS 16.

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. As a new business, the Company has incurred set up costs in 2017 and the Directors expect the operating expenses to normalise over the period contributing to its profitability from the date of approval of the financial statements. The Directors are satisfied that the liquidity of the Company will be met by any future issuance of bonds through its Irish listed bond programme. Wellesley Finance plc prefunds the interest liability of each series fundraising by providing the Company with a credit facility. In addition, Wellesley Finance plc provided the Company with a facility to fund the initial set up costs of the entity.

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 premium 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.

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 recognises its portion of each loan and advance purchased on its statement of financial position Interest income and interest expense is recognised on these balances as outlined above.

3.2 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.

3.3 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 transaction 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.

3 Significant accounting policies *(Continued)*

3.3 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.

Impairment loss

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.

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 whether there is objective evidence of impairment loss include, but are 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. Management have considered the requirement for a collective provision concluding that it will be nil at the period end.

3 Significant accounting policies *(Continued)*

3.4 Taxation

The directors are satisfied that this Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax amounts are recognised.

Under the powers conferred by the Act, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement. The directors are satisfied that this Company meets the definition of a 'securitisation company' as defined by both the Act and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. Deferred tax is not provided for.

3.5 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.

3.6 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 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.

5 Administrative expenses

	Period from 16 January 2017 (date of incorporation) to 31 December 2017 £
Legal & professional	30,960
Bond costs	12,361
Auditors remuneration	17,640
	60,961

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

6 Staff costs

The Company had no staff expenses during the period. Administrative expenses are outsourced to Intertrust and Wellesley Finance plc for origination and servicing of loans.

7 Directors remuneration

None of the Directors have received any emoluments or remuneration during the period.

8 Taxation

	Period from 16 January 2017 (date of incorporation) to 31 December 2017 £
Corporation tax credit recognised in the Statement of Comprehensive Income	190
Current tax:	
UK corporation tax at 19%	190
Total current tax	**190**
Deferred tax:	
Origination and reversal of temporary difference	-
Total deferred tax	**-**
Total tax credit	**-**
Reconciliation of tax charge:	
Loss on ordinary activities before tax	(16,188)
Tax credit on loss on ordinary activities at standard corporation tax rate of 19%	3,075
Accounting losses not taxed in accordance with SI 2006/3296	(3,075)
Total tax credit	**-**
Cash retained profit taxed in accordance with SI 2006/3296	**1,000**
Tax on cash retained at standard corporation tax rate of 19%	**190**

For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the 'Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)'. Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the Transaction. In accordance with the prospectus the Company is expected to retain £1,000 on each interest payment dates (the "IPDs").

9 Loans and advances to customers

	31 December 2017 £
Gross loan receivables	5,268,671
Less provisions	-
	5,268,671
Amounts falling due:	
Within one year	2,024,575
In the second to fifth year inclusive	3,244,096
After five years	-
	5,268,671

These loans and advances consist of portions of loans purchased from Wellesley Finance plc in respect of property development lending.

These loans are secured by a first charge over property and land. The value of the 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 portion of loans invested in will equate to £49.0m once the property development is completed at the end of the term.

10 Other assets

	31 December 2017 £
Other receivables	11,106
Prepayments	4,800
	15,906

11 Other liabilities

	31 December 2017 £
Trade payables	25,144
Accruals and deferred income	45,462
Amount owed to related party	540,571
Corporation tax	190
	611,367

12 Interest-bearing loans and borrowings

	31 December 2017 £
At the beginning of the period	-
Issued in the period	5,132,000
Transaction costs	(85,653)
Redeemed in the period	-
Interest payable	32,601
Total interest-bearing loans and borrowings at the end of the period	**5,078,948**
Due within one year	196,805
Due over one year	4,882,143
	5,078,948

Interest-bearing loans and borrowings consist of a Wellesley Secured Finance plc Secured Note Programme of £5,132,000.

Interest rates range from 2% to 4.75% on the Wellesley Secured Finance plc Note Programmes.

13 Share capital

	31 December 2017 £
50,000 issued ordinary shares at £1 each (50,000 authorised ordinary shares at £1 each)	50,000
	50,000

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

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

14 Financial instruments and fair values

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

31 December 2017	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Loans and advances to customers	5,268,671	-	-	**5,268,671**
Cash and cash equivalents	-	439,360	-	**439,360**
Other receivables	11,106	-	-	**11,106**
Total financial assets	**5,279,777**	**439,360**	**-**	**5,719,137**

	Loans and receivables £	Fair value through profit or loss £	Liabilities at amortised cost £	Total £
Trade payables	-	-	25,144	**25,144**
Accruals and deferred income	-	-	45,462	**45,462**
Amounts owed to related parties	-	-	540,571	**540,571**
Interest-bearing loans and borrowings	-	-	5,078,948	**5,078,948**
Total financial liabilities	**-**	**-**	**5,690,125**	**5,690,125**

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

	Carrying value £	Fair value £
Assets		
Cash and cash equivalents	439,360	439,360
Loans and advances to customers	5,268,671	5,268,671
Other receivables	11,106	11,106
	5,719,137	**5,719,137**
Liabilities		
Other liabilities	611,367	611,367
Interest-bearing loans and borrowings	5,078,948	5,078,948
	5,690,315	**5,690,315**

14 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.

15 Commitments and contingent liabilities

At 31 December 2017, the Company had no undrawn commitments.

16 Risk management

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

- Credit risk;
- Liquidity risk;
- Market risk;
- Reputational risk; and
- Capital risk.

Credit risk
The Company's principal business activity is purchasing residential property loans. For each portion of 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:

31 December 2017	
	Total
Loans and advances to customers	**£**
Performing within terms	5,268,671
Performing in arrears	-
Watch list	-
Impaired	-
Loans and advances to customers	**5,268,671**

There were no loans and advances which were past due.

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

	31 December 2017
	£
Financial assets	
Cash and cash equivalents	439,360
Loans and advances to customers	5,268,671
Other receivables	11,106
	5,719,137
Contractual commitments	-
Total credit risk	**5,719,137**

16 Risk management *(continued)*

Liquidity risk
The Company's sources of funding are all retail bond market correlated and as such there is less diversification than what would be considered the norm for a financial services institution as this is a securitisation vehicle. 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.

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

At 31 December 2017	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	£	**£**	**£**	**£**	**£**
Trade payables	25,144	-	-	-	-
Accruals and deferred income	45,462	-	-	-	-
Amounts owed to related parties	-	540,571	-	-	-
Interest-bearing loans and borrowings	-	-	196,805	4,882,143	-
	70,606	**540,571**	**196,805**	**4,882,143**	**-**

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's treasury function via the loan servicer 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 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 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 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 to the extent that interest rates affects property sales and sales processes.

16 Risk management *(continued)*

Foreign exchange risk
The Company has no foreign exchange risk as all transactions are sterling denominated.

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.

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:

	31 December 2017
	£
Share capital	50,000
Retained earnings	(16,378)
Common equity capital	**33,622**
Interest-bearing loans and borrowings	5,078,948
Other capital	**5,078,948**
Total capital base	**5,112,570**

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.

17 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 below are the related party transactions:

	31 December 2017
	£
Wellesley Finance plc	
Opening balance	-
Advances	568,884
Repayments	(15,546)
Interest owed	4,969
	558,307

The maximum balance during the period was £558,307.

Wellesley Finance plc is a related party to the Company as it is the servicer and originator for loans purchased by the Company. The amount owing at 31 December 2017 is split between two amounts: 1) Expenses Facility Agreement dated 12 April 2017: £333,496; and 2) Subordinated Loan Facility: £207,075.

Included in trade payables in note 11 was an amount of £17,736 owed in respect of costs paid for by Wellesley Finance plc.

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 during the period. Total details are below:

	31 December 2017
	£
Investment by Wellesley Finance plc in Irish Listed ISA bond	
Opening balance	-
Advances	225,000
Transaction costs	(14,412)
Repayments	(436)
Interest owed	11,528
	221,680

The maximum balance during the period was £221,680.

18 Controlling party

The Company's immediate parent company is Intertrust Corporate Services Limited, a company incorporated in the United Kingdom and registered in England and Wales, which holds the entire issued share capital of the Company in trust under a share trust deed. As the trustees are not entitled to any economic benefit and the beneficiaries do not have any decision making power, there is no controlling party.

Intertrust Corporate Services Limited is a wholly owned subsidiary of Intertrust Management Limited

19 Events after the statement of financial position date

There are no material events after the statement of financial position date.

20 Reconciliation of liabilities arising from financing activities

	16 January 2017	Cashflows	Non - cash changes				31 December 2017
			Interest payable	Foreign exchange movement	Other	Fair value changes	
	£	£	£	£	£	£	£
Interest-bearing loans and borrowings	-	5,046,347	32,601	-	-	-	5,078,948
Subordinated loan and expense facility	-	-	-	-	540,571	-	540,571
	-	**5,046,347**	**32,601**	**-**	**540,571**	**-**	**5,619,519**