WELLESLEY SECURED FINANCE PLC

Annual Report and Financial Statements

For the year ended 31 December 2018

Company Number 10565816

WELLESLEY SECURED FINANCE PLC

Report and financial statements
For the year ended 31 December 2018

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Officers and advisers

Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Ian McKenzie (Appointed 5 April 2018)
Stephen Bell (Resigned 5 April 2018)

Company Secretary

Intertrust Corporate Services Limited

Registered Office

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

Company Registration Number

10565816

Auditors

Haysmacintyre LLP, 10 Queen Street Place, London, EC4R 1AG

Bankers

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

Legal Advisers

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

Overview

The Directors present their Strategic Report of Wellesley Secured Finance Plc ("Company") for the year ended 31 December 2018. 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 ("Secured Note Programme"). Wellesley Finance plc services these loans on behalf of the Company.

Operating and Financial Review

The Company's income was £737k (2017: £154k). The Company's administrative expenses for the year were £190k (2017: £61k). The Company incurred net impairment charges on loans and advances to customers of £200k (2017: restated £28k). The Company generated a loss before taxation of £154k (2017: restated loss of £44k) for the year**.**

Business Review

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

The key performance indicators ("KPIs") of the Company at 31 December 2018 are: loan book: £10.5m (2017: restated £5.2m), loss before tax %: 57.8% (2017: restated 88.5%) and cost to income ratio %: 82% (2017: 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.

The Company's total assets as at 31 December 2018 were £11.1m (2017: restated £5.7m) due principally to an increase in loans and advances to customers.

The Company's total liabilities as at 31 December 2018 were £11.2m (2017: restated £5.7m) because of an increase in the Interest-bearing loans and borrowings. The Company's current ratio decreased to 2.01 as at 31 December 2018 (2017: as restated 3.03).

Other

IFRS 9 ("Financial Instruments") was adopted on 1 January 2018. Management devoted sufficient amount of time to implement this new accounting standard. This impacted a number of assets including a loan portfolio, inter-company balances, a subordinated loan and trade receivables. In order to comply with the new standard, a prior year comparative has been calculated and recognised accordingly. For more details, please refer to note 3.1 to 3.3.

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

- Market risk *(Continued)*

  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 source of funding is the proceeds of issuing retail bonds. The Company faces the liquidity risk of investors requesting early redemption of their notes if a put option is applicable.

  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.

- Brexit Risk

  As a UK-based business, the Company is particularly exposed to any domestic economic downturn which could affect existing and prospective borrowers and the value of their development projects. The United Kingdom's vote to leave the European Union and subsequent notice under Article 50 of the Treaty on European Union has presented uncertainty to the UK economy. Whilst the precise nature of the risks and uncertainties that the Company may face following the United Kingdom's departure from the European Union cannot be predicted, the Company has identified a concentration of potential risks relating to its lending activities. These risks are primarily focussed upon the construction process involved when its developers are building properties and the residential property values upon which project viability is underpinned.

  Brexit may cause increased costs in labour and materials from the European Union. However, as Wellesley appoint their own independent surveyor to each project, any costs will be reviewed and then stressed internally prior to funding the deal. More detailed underwriting of costs would be expected including analysis of the developer's supply chain. In addition the Company might focus on working more with contractors with UK based supply chains.

  The potential impact of a 'Hard Brexit' is something that is under regular review by the Company and Wellesley however at this stage it remains satisfied that any downside movement as a result will be mitigated through a combination of the Company's and Wellesley credit policies, regional focus, oversight of the construction process and its drive to ensure the quality track records of its underlying customer base.

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

On behalf of the Board

Sue Abrahams

Per pro Intertrust Directors 1 Limited
Director
1 May 2019

The Directors present their annual report for the Company together with the audited financial statements for the year ended 31 December 2018.

Results and dividends

The Company made a loss before taxation for the period of £154k (2017: restated loss of £44k).

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 Secured Note 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 programme documents describing the structure and operation of the programme. 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 programme documents.

The programme 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 trading as Euronext Dublin, 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).

Management's forecasts and projections of obligations under bond instruments and expected maturities of its investments in property development loans show that the company will be able to operate for the foreseeable future. The bond instruments notes are a limited recourse obligation of the Company and all payments made by the Company in respect of the notes of a particular series will be made only from and to the extent of the sums received or recovered by the Company and therefore the Company's ability to pay amounts due on the notes is, in substance, limited to the application of receipts from the loans.

It is on this basis that the Directors continue to prepare the financial statements on a Going Concern basis.

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.

The directors resolved to appoint Haysmacintyre LLP as auditors. It is proposed to re-appoint Haysmacintyre LLP as auditor at the Annual General Meeting.

On behalf of the Board

Sue Abrahams ***Per pro Intertrust Directors 1 Limited***
Director

1 May 2019

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

Opinion

We have audited the financial statements of Wellesley Secured Finance PLC (the 'company') for the year ended 31 December 2018 which comprise The Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and 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 2018 and of its loss for the year 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.

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 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) we identified, including 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.

Key Audit Matter	Our Response
The risk of incorrectly treated income streams under IFRS 9. Revenue earned on loans and advances to developers is considered a significant risk as income is recognised in accordance with effective interest rate (EIR) calculations which are based on the loan particulars and agreements but amended for drawdowns, fees, full and partial redemptions.	We reviewed and challenged management's EIR models used to calculate the income on each loan. We agreed all interest rates, capitalisation periods, terms and range of fees to loan documentation to ensure that the loans were correctly reflected in the financial statements We agreed all current year drawdowns, fees, full and partial redemptions to bank statements and other supporting documentation Our review of the EIR models also considered the cut-off of the income recognised to ensure that interest is recorded in the correct period. We recalculated interest to ensure final redemptions at the end of loan maturities was accurate and hence that EIR had been correctly calculated.
The company lends to property developers through a secured loans. As with any lending there is a risk that borrowers are unable to repay the amounts borrowed and debts could become irrecoverable. This year the company must apply the new IFRS 9 requirements to the first time. This standard introduces a new model for the recognition of loan impairment provisions and hence further complexity to an already significant area of risk.	We agreed the recognition of the loans receivable to supporting documentation such as loan agreements, drawdown certificates and redemptions. We reviewed the controls in place around loan initiation, credit control and provisioning. Our review also covered post year end drawdowns, redemptions and assessment of prior year provisions to consider the accuracy of management's ability to forecast and estimate credit losses. We reviewed the company's provisioning policies and techniques to consider their accordance with IFRS 9 and the impact of Expected Credit Losses ("ECL") on its loan portfolio. We reviewed and challenged all inputs, including estimates and judgements used in management's assessment of the future cashflows in determining whether a loan is impaired.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the company and its operations we considered loan receivables and loan finance balances to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the company to be £100,000 based on 1% of loan balances. A lower area specific materiality of £50,000 was used for the income statement and current asset items.

Based on our risk assessments and our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the company was 75% of materiality, namely £75,000.

We agreed to report to the Board of Directors all audit differences more than £5,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
As Wellesley Secured Finance PLC is a standalone corporate entity based in London the scope of our work was the audit of the financial statements of the company. The scope of the audit and our audit strategy was developed by using our audit planning process to obtain an understanding of the company, its activities, and its control environment. Our audit testing was informed by this understanding of the company and accordingly was designed to focus on areas where we assessed there to be the most significant risks of material misstatement.

Other information
The directors are responsible for the other information. 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, 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 the group and the parent 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
• 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 6, 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 the 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 the group or the parent 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.

We gained an understanding of the company and the industry in which it operates and designed audit procedures to respond to the identified risks. We designed audit procedures that focused on the risks of fraud, error or irregularities in revenue recognition recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. Our responses are set out in the Key Audit Matters section above.

We did not identify any key audit matters relating to irregularities, including fraud. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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 18 February 2019 to audit the financial statements for the year ended 31 December 2018. This is the first year of our engagement.

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 conduction the audit.

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

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.

David Cox (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP,
Statutory Auditors
1 May 2019

10 Queen Street Place
London
EC4R 1AG

WELLESLEY SECURED FINANCE PLC

Statement of comprehensive income
For the year ended 31 December 2018

	Notes	Year to 31 December 2018	Period to 31 December 2017
		£	£
			Restated
Interest income		736,514	153,859
Interest expense		(471,121)	(104,117)
Net interest income		**265,393**	**49,742**
Administrative expenses	5	(189,823)	(60,961)
Impairment of loans and advances	16	(200,345)	(27,828)
Loss from operations		**(124,775)**	**(39,047)**
Interest expense on related party loan	19	(28,658)	(4,969)
Loss before taxation		**(153,433)**	**(44,016)**
Income tax charge	8	(190)	(190)
Loss after taxation		**(153,623)**	**(44,206)**

Statement of other comprehensive income
For the year ended 31 December 2018

	Year to 31 December 2018	Period to 31 December 2017
	£	£
		Restated
Loss after taxation	**(153,623)**	**(44,206)**
Total other comprehensive income for the year / period, net of taxation	**-**	**-**
Total comprehensive loss for the year/ period, net of taxation	**(153,623)**	**(44,206)**

The notes on pages 15 to 34 are an integral part of these financial statements.

WELLESLEY SECURED FINANCE PLC

Company Number 1056816

Statement of financial position

For the year ended 31 December 2018

	Notes	31 December 2018	31 December 2017
		£	£
Assets			**Restated**
Non-current assets			
Loans and advances to customers	9	4,472,830	3,244,096
Total non-current assets		**4,472,830**	**3,244,096**
Current assets			
Cash and cash equivalents		604,179	439,360
Loans and advances to customers	9	5,982,445	1,996,747
Other assets	10	28,365	15,906
Total current assets		**6,614,989**	**2,452,013**
Total assets		**11,087,819**	**5,696,109**
Liabilities			
Current liabilities			
Other liabilities	11	1,208,790	611,367
Interest-bearing loans and borrowings	12	1,332,578	196,805
Total current liabilities		**2,541,368**	**808,172**
Non-current liabilities			
Interest-bearing loans and borrowings	12	8,694,280	4,882,143
Total non-current liabilities		**8,694,280**	**4,882,143**
Total liabilities		**11,235,648**	**5,690,315**
Equity			
Share capital	13	50,000	50,000
Retained earnings		(197,829)	(44,206)
Shareholder's deficit / equity		**(147,829)**	**5,794**
Total equity and liabilities		**11,087,819**	**5,696,109**

The notes on pages 15 to 34 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 1 May 2019 and were signed on behalf of the Board by:

Sue Abrahams ***Per pro Intertrust Directors 1 Limited***
Director

WELLESLEY SECURED FINANCE PLC

Statement of changes in equity
For the year ended 31 December 2018

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 16 January 2017	**-**	**-**	**-**
Total comprehensive loss for the period			
Restated Loss for the period	-	(44,206)	(44,206)
Total comprehensive loss for the period	**-**	**(44,206)**	**(44,206)**
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 as Restated	**50,000**	**(44,206)**	**5,794**

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 January 2018	**50,000**	**(44,206)**	**5,794**
Total comprehensive income for the year			
Profit for the year	-	(153,623)	(153,623)
Total comprehensive income for the year	**50,000**	**(197,829)**	**(147,829)**
Balance at 31 December 2018	**50,000**	**(197,829)**	**(147,829)**

The notes on pages 15 to 34 are an integral part of these financial statements.

WELLESLEY SECURED FINANCE PLC

Statement of cash flows
For the year ended 31 December 2018

	Note	Year to 31 December 2018 £	Year to 31 December 2017 £ Restated
Cash flows from operating activities			
Loss before taxation		(153,433)	(44,016)
Adjustments for:			
Adjustment for impairment		200,345	27,828
Increase in interest on financing balances		28,658	4,969
(Increase) in other assets		(12,649)	(15,906)
Increase in operating liabilities		5,011,481	5,149,554
(Increase) in operating assets		(5,414,777)	(5,268,671)
Tax paid		190	-
Net cash flows used in operating activities		**(340,185)**	**(146,242)**
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings	22	505,004	535,602
Proceeds from issuance of shares		-	50,000
Net cash generated from financing activities		**505,004**	**585,602**
Net increase in cash and cash equivalents		**164,819**	**439,360**
Cash and cash equivalents at the start of the period		439,360	-
Cash and cash equivalents at the end of the period		**604,179**	**439,360**

The notes on pages 15 to 34 are an integral part of these financial statements.

1 Nature of operations

Wellesley Secured Finance plc is a public limited Company, limited by shares. It is a securitised vehicle which raises capital on the Irish Stock Exchange trading as Euronext Dublin to buy portions of residential development property loans. The Company's registered number is 10565816 and registered office at 35 Great St. Helen's, London, EC3A 6AP.

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 comparatives are for the period from the date of incorporation of 16 January 2017 to 31 December 2017. There was a prior period adjustment. See note 22 for details.

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 New accounting standards

New standards and amendments

The following standards and amendments are new and applied for the first time for the annual reporting year commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

IFRS 9, Financial instruments

The standard includes updated requirements in respect of the recognition and measurement, impairment and derecognition of assets as well as general hedge accounting. One of the biggest changes sees an expected credit loss model replacing the previous incurred loss model. The standard became effective for accounting periods beginning on or after 1 January 2018.

The Company has changed its accounting policies and made certain retrospective adjustments following the adoption of IFRS 9. This is disclosed in note 22. The effect of other new accounting standards or amendments applicable for the first time this year did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 New accounting standards (*Continued*)

IFRS 15, Revenue from contracts with customers

The standard sets out at what point and how revenue is recognised and also require enhanced disclosure. Revenue contracts should be recognised in accordance with a single, principles based on five-step plan. The standard became effective for accounting periods beginning on or after 1 January 2018. The Company does not hold any contracts with customers and as such there is no impact on the financial statements.

2.3 Future accounting developments

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 16 – Leases. Applicable for financial years beginning on or after 1 January 2019. IFRS 16 was enclosed by the EU in October 2018.

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.

2.4 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).

Management’s forecasts and projections of obligations under bond instruments and expected maturities of its investments in property development loans show that the company will be able to operate for the foreseeable future. The bond instruments notes are a limited recourse obligation of the Company and all payments made by the Company in respect of the notes of a particular series will be made only from and to the extent of the sums received or recovered by the Company and therefore the Company’s ability to pay amounts due on the notes is, in substance, limited to the application of receipts from the loans.

Wellesley Finance plc prefunds the interest liability of each series fundraising by providing the Company with a subordinated credit facility and provided the Company with a facility to fund the initial set up costs of the entity. Wellesley Finance Plc has undertaken not to recall these balances until the resources of the Company allows repayment.

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 IFRS 9.

3 Significant accounting policies *(Continued)*

3.1 Interest income and expense *(continued)*

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.

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.

3.2 Financial instruments

<u>Recognition</u>
The Company initially recognises loans and advances, interest-bearing loans and borrowings issued on the date they are originated, at fair value.

<u>De-recognition</u>
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.

<u>Financial Assets</u>

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)*

3.2 Financial instruments *(continued)*

Expected Credit Losses ("ECL")

IFRS 9 introduces a three-stage model for impairment based on changes in credit quality since initial recognition with each stage representing a change in the credit risk of financial instrument. If a significant increase in credit risk is identified, the financial instrument is moved from stage one to two but is not yet deemed to be credit impaired. Financial instruments that are deemed to be credit impaired are then moved to stage three. The expected credit loss for financial instruments which are in stage one equals to the portion of lifetime expected credit losses that result from default events within the next twelve months. The expected credit loss for financial instruments in stages two and three is equal to the expected lifetime credit losses.

Wellesley consider that the primary trigger of a significant increase in its credit risk is where the internal credit rating, decreases by 2 rating categories since initial recognition. The borrowers to whom the loans purchased were originally made to are not rated by external agencies, and so internal ratings are the most appropriate key drivers.

ECL's are calculated in a way that reflects:

- An unbiased and probability weighted amount that evaluates several potential outcomes, including scenarios where a loss does and does not occur, and based on the maximum contractual period (including extension options) that Wellesley is exposed to credit risk. For undrawn loan commitments, Wellesley's ability to demand repayment and cancel the undrawn commitment does not limit the exposure of credit losses to the notice period;
- The time value of money; and
- Reasonable and supportable information, available without undue cost or effort, about past events, current conditions and future economic conditions.

On an on-going basis the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset 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.

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.

<u>Financial Liabilities</u>

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

3 Significant accounting policies *(Continued)*

3.2 Financial instruments *(continued)*

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.

3.3 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.

3.4 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.

3.5 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.

4 Use of estimates and judgements (*Continued)*

Management consider the following judgements and estimates to be significant:

EIRs

IFRS 9 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.

Expected Credit Losses ("ECL")

Evidence and decisions as to whether there are indications of impairments are judgements while the evaluation and effect of potential outcomes and the calculation of ECL provisions are estimates. See Note 3.2 for further explanation of estimates and judgements made.

5 Administrative expense

	2018	2017
	£	£
Advertising & marketing	11,700	-
Other administrative expenses	38,207	30,960
Bond costs	115,916	12,361
Auditors remuneration for the audit of the financial statements	24,000	17,640
	189,823	**60,961**

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

6 Staff costs

The Company had no employees aside from the directors during the period. Administrative obligations are outsourced to 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

	2018	2017
	£	£
Corporation tax charge recognised in the Statement of Comprehensive Income	190	190
Current tax:		
UK corporation tax at 19%	190	190
Total current tax	**190**	**190**
Loss on ordinary activities before tax	(153,433)	(44,016)
Tax credit on loss on ordinary activities at standard corporation tax rate of 19%	29,152	8,363
Accounting losses not taxed in accordance with SI 2006/3296	(29,152)	(8,363)
	-	**-**
Retained profit taxed in accordance with SI 2006/3296	**1,000**	**1,000**
Tax on retained profit at standard corporation tax rate of 19%	**190**	**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 Secured Note Programme. In accordance with the prospectus dated 12 April 2017 the Company is expected to retain £1,000 as profit per annum.

9 Loans and advances to customers

	31 December 2018 £	31 December 2017 £ Restated
Gross loan receivables	10,683,448	5,268,671
Less provisions for expected credit losses	(228,173)	(27,828)
	10,455,275	**5,240,843**
Amounts falling due:		
Within one year	5,982,445	1,996,747
In the second to fifth year inclusive	4,472,830	3,244,096
	10,455,275	**5,240,843**

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 £42.1m (2017: £49m) once the property development is completed at the end of the term.

10 Other assets

	31 December 2018 £	31 December 2017 £
Other receivables	11,106	11,106
Prepayments	17,259	4,800
	28,365	**15,906**

11 Other liabilities

	31 December 2018	31 December 2017
	£	£
Trade payables	61,657	7,408
Accruals and deferred income	54,974	45,462
Amount owed to related party	1,091,969	558,307
Corporation tax	190	190
	1,208,790	**611,367**

12 Interest-bearing loans and borrowings

	31 December 2018	31 December 2017
	£	£
At the beginning of the year / period	5,078,948	-
Issued in the year / period	5,166,000	5,132,000
Transaction costs	(127,241)	(85,653)
Redeemed in the year / period	(200,000)	-
Interest payable	109,151	32,601
Total interest-bearing loans and borrowings at the end of the year / period	**10,026,858**	**5,078,948**
Due within one year	1,332,578	196,805
Due over one year	8,694,280	4,882,143
	10,026,858	**5,078,948**

Interest-bearing loans and borrowings consist of a Wellesley Secured Finance plc Secured Note Programme of £9,885,108.

Interest rates range from 2% to 5.5% on the Wellesley Secured Finance plc Secured Note Programmes.

13 Share capital

	31 December 2018	31 December 2017
	£	£
50,000 issued ordinary shares at £1 each	50,000	50,000
	50,000	**50,000**

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

14 Financial instruments and fair values

31 December 2018	Loans and receivables at amortised cost	Fair value through profit or loss	Total
	£	£	£
Loans and advances to customers	10,455,275	-	**10,455,275**
Cash and cash equivalents	-	604,179	**604,179**
Other receivables	11,106	-	**11,106**
Total financial assets	**10,466,381**	**604,179**	**11,070,560**

	Liabilities at amortised cost	Total
	£	£
Trade payables	61,657	**61,657**
Accruals and deferred income	54,974	**54,974**
Amounts owed to related parties	1,091,969	**1,091,969**
Interest-bearing loans and borrowings	10,026,858	**10,026,858**
Total financial liabilities	**11,235,458**	**11,235,458**

14 Financial instruments and fair values *(Continued)*

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

	Carrying value	Fair value
	£	£
Assets		
Cash and cash equivalents	604,179	604,179
Loans and advances to customers	10,455,275	10,455,275
Other receivables	11,106	11,106
	11,070,560	**11,070,560**
Liabilities		
Other liabilities	1,208,790	1,208,790
Interest-bearing loans and borrowings	10,026,858	10,026,858
	11,235,648	**11,235,648**

There have been no reclassifications between classes of financial assets or liabilities on adoption of IFRS 9.

2017 Restated	**Loans and receivables £**	**Fair value through profit or loss £**	**Total £**
Loans and advances to customers	5,240,843	-	**5,240,843**
Cash and cash equivalents	-	439,360	**439,360**
Other receivables	11,106	-	**11,106**
Total financial assets	**5,251,949**	**439,360**	**5,691,309**

	Liabilities at amortised cost £	**Total £**
Trade payables	7,408	**7,408**
Accruals and deferred income	45,462	**45,462**
Amounts owed to related parties	558,307	**558,307**
Interest-bearing loans and borrowings	5,078,948	**5,078,948**
Total financial liabilities	**5,690,125**	**5,690,125**

14 Financial instruments and fair values *(Continued)*

	Carrying value	Fair value
	£	£
Assets	**Restated**	**Restated**
Cash and cash equivalents	439,360	439,360
Loans and advances to customers	5,240,776	5,240,776
Other receivables	11,106	11,106
	5,691,242	**5,691,242**
Liabilities		
Other liabilities	611,367	611,367
Interest-bearing loans and borrowings	5,078,948	5,078,948
	5,690,315	**5,690,315**

The Company holds loans and advances at their amortised cost.

With exception to Cash and cash equivalent, the company does not currently hold any financial assets or liabilities at fair value.

15 Commitments and contingent liabilities

At 31 December 2018, the Company had no undrawn commitments.

16 Provisions

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

	2018	2017
	£	£
		Restated
At the beginning of the year	27,828	-
Increase in provisions	200,345	27,828
At the end of the year	**228,173**	**27,828**

The provision is made against loans and advances to customers and is based on 12 month expected credit losses.

17 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 to consider the credit risk of each loan. This process also allows management to monitor loans to assess whether provisions based on expected lifetime credit losses are necessary.

During the year there was a change in internal credit rating policy which saw a 4-category system replaced by a 5-category system. The new system rates loans as either: Strong, Good, Satisfactory, Weak or Default.

Factors that help determine and define the categories of credit rating include: the loan to Gross development value %; the loan to Original land value %: the level and quality of security obtained; the repayment period; compliance with loan covenants; and the progress of development work.

The prior year's credit policy was more subjective in nature, whereas the current policy is more prescriptive. As a result, mapping the new policy to the old policy would not provide a useful or meaningful comparative. There are therefore 2 disclosures below: the first being the current loan portfolio broken down per internal credit rating at 31/12/18; and the prior year's comparative reflecting loan portfolio valuation at 31/12/17 using the prior internal credit ratings.

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

Loans and advances to customers	**31 December 2018 £**
Strong	603,014
Good	2,823,076
Satisfactory	3,067,510
Weak	4,189,847
Default	-
Provision for credit losses	(228,173)
Loans and advances to customers	**10,455,275**

17 Risk management *(continued)*

Loans and advances to customers	31 December 2017 £ Restated
Performing within terms	5,268,671
Performing in arrears	-
Watch list	-
Impaired	-
Provision for credit losses	(27,828)
Loans and advances to customers	**5,240,843**

There were no loans and advances which were past due.

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

Financial assets	31 December 2018 £	31 December 2017 £ Restated
Cash and cash equivalents	604,179	439,360
Loans and advances to customers	10,455,275	5,240,843
Other receivables	11,106	11,106
Total credit risk	**11,070,560**	**5,691,309**

17 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 2018	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
Trade payables	61,657	-	-	-	-
Accruals and deferred income	54,974	-	-	-	-
Amounts owed to related parties	-	1,091,969	-	-	-
Interest-bearing loans and borrowings	538,671	793,907	5,469,060	3,225,220	-
	655,302	**1,885,876**	**5,469,060**	**3,225,220**	**-**

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	7,408	-	-	-	-
Accruals and deferred income	45,462	-	-	-	-
Amounts owed to related parties	-	558,307	-	-	-
Interest-bearing loans and borrowings	-	196,805	-	4,882,143	-
	52,870	**755,112**	**-**	**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.

17 Risk management *(continued)*

The Assets and Liabilities Committee ("ALCO") of Wellesley Group 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.

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 2018	31 December 2017
	£	£
		Restated
Share capital	50,000	50,000
Retained earnings	(197,829)	(44,206)
Common equity capital	**(147,829)**	**5,794**
Interest-bearing loans and borrowings	10,026,858	5,078,948
Other capital	**10,026,858**	**5,078,948**
Total capital base	**9,879,029**	**5,084,742**

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. There have been no changes to objectives policies and processes for managing capital.

18 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 Balance with related parties of Wellesley Finance Plc:

	31 December 2018 £	31 December 2017 £
Balances owed to related party	(1,121,765)	(779,987)

Wellesley Finance plc is a related party to the Company as it provides key management personnel services to the Company. It is considered to have significant influence over the Company as the servicer and originator for loans purchased by the Company. The amount owing at 31 December 2018 is split between two amounts: 1) Expenses Facility Agreement dated 12 April 2017: £605,496 (2017: £333,496); and 2) Subordinated Loan Facility: £428,829 (2017: £202,104). Interest of £28,658 remains unpaid to Wellesley Finance plc in the year.

Included in trade payables in note 11 was an amount of £24,017 (2017: £17,736) owed in respect of costs paid for by Wellesley Finance plc.

Wellesley Finance plc invested £3,000 and £2,000 in Series 6 and A respectively of the Irish Listed ISA bond during the period and continues to hold £10,000 and £15,000 in 3 and 5 respectively from prior year.

	31 December 2018 £	31 December 2017 £
Investment by Wellesley Finance plc in Irish Listed ISA bond		
Opening balance	221,680	-
Advances	5,000	225,000
Transaction costs	(563)	(14,412)
Repayments	(204,977)	(436)
Interest owed	8,657	11,528
	29,797	**221,680**

Intertrust Management Limited is the parent company of the Company's parent undertaking and provides key management services to the Company.

During the year the Company had the following transactions with other related parties:

Intertrust Management Limited

	31 December 2018 £	31 December 2017 £
Corporate services fees	76,065	2,400

19 Interest expense

	2018	2017
	£	£
Interest expense on related party loan	28,658	4,969
	28,658	**4,969**

20 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

21 Events after the statement of financial position date

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

22 Reconciliation of liabilities arising from financing activities

For the year to 31 December 2018

		Non - cash changes		
	01 January 2018	Interest payable	Other	31 December 2018
	£	£	£	£
Subordinated loan and expense facility	558,307	28,658	505,003	1,091,969
	558,307	**28,658**	**505,003**	**1,091,969**

For the year to 31 December 2017

		Non - cash changes		
	16 January 2017	Interest payable	Other	31 December 2017
	£	£	£	£
Subordinated loan and expense facility	-	4,969	553,338	558,307
	-	**4,969**	**553,338**	**558,307**

23 Prior period restatement

1 As noted in note 2.2 IFRS 9 was effective from January 2018. In order to comply with the new standard, a prior year adjustment has been calculated and recognised in the comparative figures accordingly. The Company has adopted IFRS 9 from 1 January 2018 and has applied the full retrospective application transition. The effect on the statement of comprehensive income and statement of Financial Position is shown below:

	Note	Impact on Comprehensive Income Statements Period to 31 December 2017
		£
(Increase) in impairment of loans and advances	16	(27,828)
Impact on profit for the period to 31 December 2017		**(27,828)**

	Note	Impact on Statement of Financial Position As at 31 December 2017
		£
(Decrease) in loans and advances to customers	9	(27,828)
Impact on equity at 31 December 2017		**(27,828)**