Wellesley Secured Finance Plc

Company number 10565816

Half-Yearly Financial Report
for the six months ended 30 June 2018

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)

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

Half-Yearly Statement of Comprehensive Income – period ended 30 June 2018

Wellesley Secured Finance plc Half-Yearly Statement of Comprehensive Income		**Period ended 30 June 2018 £**	**Period ended 30 June 2017 £**
Gross income		440,405	3,697
Interest expense		(199,819)	(610)
Net interest income		**240,586**	**3,087**
Administrative expenses	5	(69,250)	(52,164)
Profit/(loss) before tax		**171,336**	**(49,077)**
Taxation charge		-	
Profit/(loss) after tax		**171,336**	**(49,077)**

Wellesley Secured Finance plc Half-Yearly Statement of Other Comprehensive Income	**Period ended 30 June 2018 £**	**Period ended 30 June 2017 £**
Profit/(loss) after taxation - attributable to the equity holders of the Company	171,336	(49,077)
Net change in fair value of investment securities	-	-
Tax on other comprehensive income	-	-
Total other comprehensive income for the period, net of taxation	-	-
Total comprehensive profit/(loss) for the period, net of taxation	**171,336**	**(49,077)**

Half-Yearly Statement of Financial Position – period ended 30 June 2018

Wellesley Secured Finance plc Half-Yearly Statement of Financial Position		Period ended 30 June 2018	Period ended 30 June 2017
		£	£
ASSETS			
Non-current assets			
Loans and advances to customers	6	9,789,167	203,697
		9,789,167	**203,697**
Current assets			
Cash and cash equivalents		672,871	-
Other Receivables		268,235	-
Prepayments		39,678	-
Receivable SPV		50,000	50,000
Total assets		**10,819,951**	**253,697**
LIABILITIES			
Current liabilites			
Accounts Payable		87,633	9,000
Accruals		63,498	43,164
Provision for Corporation Tax		190	-
		151,321	**52,164**
Non-current liabilities			
Accrued Interest on bond	7	108,152	610
Wellesley Finance plc expense account	9	455,496	-
Wellesley Finance plc subordinated loan	9	553,203	-
Wellesley ISA Bond	7	9,346,821	200,000
Total liabilities		**10,614,993**	**252,774**
Net assets		**204,958**	**923**
EQUITY			
Period Earnings		171,336	(49,077)
Retained Earnings		(16,378)	-
Share Capital - Ordinary Shares	8	50,000	50,000
Total equity		**204,958**	**923**

Half-Yearly Statement of Cash Flows – period ended 30 June 2018

Wellesley Secured Finance plc **Half-Yearly Statement of Cash Flows**	**Period ended 30 June 2018** **£**	**Period ended 30 June 2017** **£**
Cash flows from operating activities		
Profit/(loss) before taxation	171,336	(49,077)
Adjustments for non-cash items	-	-
	171,336	**(49,077)**
Adjustment for working capital items and loans & advances:		
(Increase) in other assets	(292,007)	-
Increase in other liabilities	548,654	52,164
(Increase) in operating assets	(4,520,496)	(203,697)
Net cash flows used in from operating activities	**(4,092,513)**	**(200,610)**
Cash flows financing activities		
Net proceeds from interest-bearing loans and borrowings	4,376,024	200,610
Net cash used in financing activities	**4,376,024**	**200,610**
Net increase in cash and cash equivalents	**283,511**	-
Cash and cash equivalents at the start of the period	389,360	-
Movement during the period	283,511	-
Cash and cash equivalents at the end of the period	**672,871**	-

Half-Yearly Statement of Changes in Equity– period ended 30 June 2018

Wellesley Secured Finance plc
Half-Yearly Statement of changes in Equity

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 January 2018	**50,000**	**(16,378)**	**33,622**
Total comprehensive income for the period			
Profit for the period	-	171,336	171,336
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**171,336**	**171,336**
Transactions with owners recorded directly in equity:			
Issue of shares	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at period ended 30 June 2018	**50,000**	**154,958**	**204,958**
Balance at 16 January 2017 (date of incorporation)	-	**-**	-
Total comprehensive loss for the period			
Loss for the period	-	(49,077)	(49,077)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	**-**	**(49,077)**	**(49,077)**
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 period ended 30 June 2017	**50,000**	**(49,077)**	**923**

Approved by the Board of Directors and authorised for issue and were signed on its behalf by:

Helena Whitaker Per pro Intertrust Directors 1 Limited,
Director
30 August 2018

Net interest income increased by £0.2m over prior period to £0.2m (period ended 30 June 2017: £0.01m). Over the six month period, the Company has increased its bond issuance on the Euronext Dublin Stock Exchange. For the period ended 30 June 2018, the Company raised a net amount of £4.4m which was used to acquire Borrower Loans from Wellesley Finance plc.

Administrative expenses were £0.1m which is a slight increase over the prior period. Administrative expenses mostly comprise of legal and professional fees associated with each series fundraise throughout the period.

Profit before tax for the period ended 30 June 2018 was £0.2m (period ended 30 June 2017: loss before tax of £0.05m).

Wellesley Secured Finance Plc has cash and cash equivalents of £0.7m (period ended 30 June 2017: £Nil) at 30 June 2018.

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 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.

Approved by the Board of Directors and authorised for issue and were signed on its behalf by:

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Helena Whitaker Per pro Intertrust Directors 1 Limited,
Director
30 August 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Interim Management Report and the half-yearly financial statements in accordance with applicable law and regulations. The Transparency (Directive 2004/109/EC) Regulations 2007 in prescribed circumstances requires the directors to prepare a half-yearly financial report covering the first 6 months of the financial year.

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 the half-yearly financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the half-yearly 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 to enable them to ensure that the half-yearly 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.

Approved by the Board of Directors and authorised for issue and were signed on its behalf by:

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Helena Whitaker Per pro Intertrust Directors 1 Limited,
Director
30 August 2018

Notes to Half-Yearly Financial Statements – period ended 30 June 2018

1 Nature of operations

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

2 Basis of preparation

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

The comparative period is from 16 January 2017 (date of incorporation) to 30 June 2017.

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 period.

Notes to Half-Yearly Financial Statements – period ended 30 June 2018

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.

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.

Notes to Half-Yearly Financial Statements – period ended 30 June 2018

3 Significant accounting policies (continued)

3.2 Financial instruments

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.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

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 Significant accounting policies (continued)

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 is deemed to be a judgement:

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.

Notes to Half-Yearly Financial Statements – period ended 30 June 2018

5 Administrative expense

	Period ended 30 June 2018 £	Period ended 30 June 2017 £
Legal & professional	-	18,024
Bond costs	55,800	34,140
Auditors remuneration	6,250	-
Advertising	7,200	-
	69,250	**52,164**

6 Loans and advances to customers

	Period ended 30 June 2018 £	Period ended 30 June 2017 £
Gross loan receivables	9,789,167	203,697
Less provisions	-	-
	9,789,167	**203,697**
Amounts falling due:		
Within one year	-	203,697
In the second to fifth year inclusive	9,789,167	-
After five years	-	-
	9,789,167	**203,697**

7 Interest-bearing loans and borrowings

	Period ended 30 June 2018 £	Period ended 30 June 2017 £
At the beginning of the period	5,078,948	-
Issued in the period	4,569,000	200,000
Transaction costs	(192,794)	-
Redeemed in the period	(200,000)	-
Interest payable	199,819	610
Total interest-bearing loans and borrowings at the end of the period	**9,454,973**	**200,610**
Due within one year	792,440	-
Due over one year	8,662,533	200,610
	9,454,973	**200,610**

Notes to Half-Yearly Financial Statements – period ended 30 June 2018

8 Share capital

	Period ended 30 June 2018 £	Period ended 30 June 2017 £
50,000 issued ordinary shares at £1 each (50,000 authorised ordinary shares at £1 each)	50,000	50,000
	50,000	**50,000**

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

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

9 Related party transactions

	Period ended 30 June 2018 £	Period ended 30 June 2017 £
Wellesley Finance plc		
Opening balance	558,307	-
Advances	439,262	-
Repayments	-	-
Interest owed	11,130	-
	1,008,699	**-**

The maximum balance during the period was £1,008,699 (Period ended 30 June 2017: £Nil).

	Period ended 30 June 2018 £	Period ended 30 June 2017 £
Investment by Wellesley Finance plc in Irish Listed ISA bond		
Opening balance	221,680	-
Advances	-	-
Transaction costs	-	-
Repayments	-	-
Interest owed	-	-
	221,680	**-**

The maximum balance during the period was £221,680 (Period ended 30 June 2017: £Nil).