

WELLESLEY & CO LIMITED

Annual Report and Financial Statements

For year ended 31 December 2018

Company Number 07981279



WELLESLEY & CO LIMITED

Report and financial statements
For year ended 31 December 2018

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WELLESLEY & CO LIMITED

Officers and advisers

Directors

Andrew Turnbull
Graham Wellesley
Ian McKenzie (Appointed 27 March 2018)
James Wilson

Registered Office

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

Company Registration Number

07981279

Auditors

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

Bankers

Barclays, Leicester, Leicestershire, LE87 2BB

Lloyds, Threadneedle Street, London, EC2R 8AY

Legal Advisers

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

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

WELLESLEY & CO LIMITED

Strategic Report For year ended 31 December 2018

Overview

The Directors present the strategic report, directors' report and the financial statements of Wellesley & Co Limited for the year ended 31 December 2018.

Wellesley & Co Limited (the "Company") is a regulated financial services business which enables its retail customers to invest in bond products. The Company also manages its legacy peer-to-peer products. The bonds listed on the Company's platform are issued by other companies either within, or related to, the Group. The bonds are either secured or unsecured investments which offer the investor exposure to the UK's mid-sized residential development lending market.

The Company is principally responsible for the strategic marketing and promotion of investment products to retail investors. The Company matches these products with loans originated by Wellesley Finance Plc. The lending is primarily to mid-sized property developers in England and Wales. These loans are sourced by a separate origination team, supported by a credit committee and loans administration function in Wellesley Finance Plc.

Operating and Financial Review

The Company generated £3.6m (2017: £3.0m) of management fees from Wellesley Finance Plc. This management fee represents the costs of operating the Company's peer-to-peer lending service and also representative of the costs of bond distributions.

Of the £3.0m (2017: £2.5m) in administration expenses, £1.2m (2017: £0.6m) relates to advertising and marketing costs which is £0.6m more than the prior year as the Company and the group has sought new investors.

Profit before tax for the year was £0.1m (2017: a profit before tax of £0.2m) as a result of the increased spend on advertising and marketing. The company net profit margin during the year declined to 3% (2017: 7%).

The Company's total assets as at 31 December 2018 were £5.3m (2017: restated £4.1m) due to an increase in accrued income in respect of unbilled management fees.

The Company's total liabilities as at 31 December 2018 were £3.5m (2017: restated £2.4m) due to an increase in the amount owed to group undertakings. The Company's current ratio increased to 1.14 times as at 31 December 2018 (2017: restated 1.09 times).

Business Review

Despite the decision not to offer new P2P products, the performance of the new bonds marketed has been positive. This has maintained the fee earnings of the business, so the Directors are pleased with the ongoing performance of the Company.

The Company benefits significantly from the wider Wellesley Group and its ability to originate loans in future.

Future Development

The outlook of the Company remains positive, having obtained full FCA approval in February 2019. It will not engage in any new P2P activities. However, the firm will continue to market bond products to retail investors and manage the existing P2P book.

WELLESLEY & CO LIMITED

Strategic Report (continued)
For year ended 31 December 2018

Principal risks and uncertainties

The principal risks to the Company are as follows:

- **Liquidity risk**
The Company is exposed to the liquidity risk arising from the requirement to fund its operations. Liquidity risk is the risk arising from unplanned decreases or changes in funding sources. The Company regularly reviews its forward cashflow and ensures it matches its assets and liabilities.
- **Market risk**
The Company is exposed to the risk that the Group fails to attract customers to its P2P and bond platforms. The Company reviews the behaviour of the Group's customers and the trends in the P2P and bond marketplace. The Company mitigates these risks by making necessary changes where possible.
- **Reputational risk**
The Company has a high level of sensitivity to reputational risks, particularly those which could potentially result in the Group's retail investors losing confidence in the stability and security of the organisation and ultimately the safety of their investment. It should be noted that a reputational event could be triggered by another participant of the industry and whilst not as a direct result of an issue within the Company's business, customers could have concerns about the peer to peer industry in general.
- **Fraud risk**
The Company deals directly with external customers which creates the potential for attempted fraud. There are strong controls and procedures in place to prevent, detect and respond to any fraud from external customers. Internal fraud is also a risk for the Company. The Company has strong internal controls and procedures in place to prevent, detect and respond to any fraud internally.

The main risks arising from the Company's financial instruments are detailed in note 20.



Graham Wellesley
Director

Approved by order of the Board on 18/04/2019

WELLESLEY & CO LIMITED

Report of the Directors For year ended 31 December 2018

Results and dividends

The Company profit before taxation for the year was £0.1m (2017: £0.2m). The taxation charge for the year was £0.05m (restated 2017: a charge of £0.1m).

The directors do not recommend the payment of a final dividend (2017: £Nil).

Principal activities

The Company is a regulated financial services business which enables its retail customers to invest in bond products issued by other companies either within, or related to, the Group. The Company also manages its existing peer-to-peer products.

Principal risk and uncertainties

The principal risks, including financial risk management, and the management of these risks are detailed in the Strategic Report on page 4.

Future developments

The future developments of the Company are detailed in the Strategic Report on page 3.

Post balance sheet events

The Company obtained authorisation as an IFPRU € 125k Limited Licence firm from the FCA on 15 February 2019. No other information has been identified since the year end about conditions existing at that date which is required to be disclosed in these financial statements.

Going concern

The financial statements are prepared on a going concern basis, as the directors have considered financial projections for the two years from the year end which support the directors' view that the Company will continue to operate as a going concern.

The directors have reviewed financial projections and cash forecasts under various scenarios over a two-year period to the end of 2020, which illustrate adequate levels of liquidity and capital for this period. Business investment and the pace of expansion will be managed within the levels of investment available. In summary, the directors are satisfied that the actions being taken to manage the capital and liquidity position of the Company are aligned to the strategic objectives of the Company.

WELLESLEY & CO LIMITED

Report of the Directors (continued) For year ended 31 December 2018

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the 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 that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; 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 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 Haysmacintyre LLP as auditors. It is proposed to appoint Haysmacintyre LLP as auditor at the Annual General Meeting.



Graham Wellesley
Director

Approved by the Board of Directors and signed on behalf of the Board on 18/04/2019.

WELLESLEY & CO LIMITED

Independent auditor's report
For year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF WELLESLEY & CO. LIMITED

Opinion

We have audited the financial statements of Wellesley & Co Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholder's Equity, Cash Flow Statement and the related notes, 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 and, as applied in accordance with the provisions of the Companies Act 2006.

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 the its profit for the year then ended;
- the financial statements 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, 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.

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.

WELLESLEY & CO LIMITED

Independent auditor's report For year ended 31 December 2018

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 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 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 company or to cease operations, or have no realistic alternative but to do so.

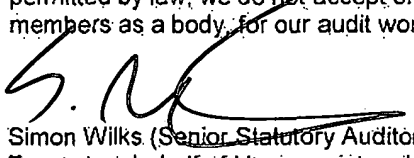
Auditor's responsibilities for the audit of the financial statements

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.

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.

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Simon Wilks (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors
April 2019

10 Queen Street Place
London
EC4R 1AG

WELLESLEY & CO LIMITED

Statement of comprehensive income For year ended 31 December 2018

	Notes	Year to 31 December 2018 £	Year to 31 December 2017 £
Income	5	3,622,574	3,034,613
Other income	6	-	6,348
Total operating income		3,622,574	3,040,961
Administrative expenses	8	(2,988,250)	(2,529,538)
Profit from operations		634,324	511,423
Other interest receivable and similar income	7	10,408	-
Depreciation	13	(72,886)	(75,487)
Amortisation	14	(467,227)	(230,046)
Profit before tax		104,619	205,890
Income tax charge	12	(47,265)	(109,366)
Profit after taxation		57,354	96,524

Statement of other comprehensive income For year ended 31 December 2018

	Year to 31 December 2018 £	Year to 31 December 2017 £
Profit after taxation	57,354	96,524
Total other comprehensive income for the year, net of taxation	-	-
Total comprehensive income for the year, net of taxation	57,354	96,524

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

The accounting policies and notes set out on pages 13 to 27 form an integral part of these financial statements.

WELLESLEY & CO LIMITED

Statement of financial position For year ended 31 December 2018

	Notes	2018	2017
		£	£ Restated
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	13	83,602	154,845
Intangible assets	14	858,930	940,883
Deferred tax asset	15	396,448	450,407
		<u>1,338,980</u>	<u>1,546,135</u>
<i>Current assets</i>			
Cash and cash equivalents		1,916,103	1,921,837
Other assets	16	2,063,659	678,037
		<u>5,318,742</u>	<u>4,146,009</u>
Total assets			
Liabilities			
<i>Current liabilities</i>			
Other liabilities	17	3,496,265	2,380,886
		<u>3,496,265</u>	<u>2,380,886</u>
Net assets		<u>1,822,477</u>	<u>1,765,123</u>
Equity			
Share capital	18	6,106,000	6,106,000
Accumulated losses		(4,283,523)	(4,340,877)
		<u>1,822,477</u>	<u>1,765,123</u>
Total equity			

The notes on pages 13 to 27 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 18/04/2019 and were signed on its behalf by:



Graham Wellesley
Director
Company number 07981279

WELLESLEY & CO LIMITED

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

	Share capital	Accumulated losses	Total equity
	£	£	£
Balance at 1 January 2017	6,106,000	(4,437,401)	1,668,599
Total comprehensive income for the period			
Profit for the year	-	96,524	96,524
Total comprehensive income for the period	6,106,000	(4,340,877)	1,765,123
Balance at 31 December 2017	6,106,000	(4,340,877)	1,765,123

	Share capital	Accumulated losses	Total equity
	£	£	£
Balance at 1 January 2018	6,106,000	(4,340,877)	1,765,123
Total comprehensive income for the year			
Profit for the year	-	57,354	57,354
Total comprehensive income for the year	6,106,000	(4,283,523)	1,822,477
Balance at 31 December 2018	6,106,000	(4,283,523)	1,822,477

The notes on pages 13 to 27 are an integral part of these financial statements.

WELLESLEY & CO LIMITED

Statement of cash flows For year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit before taxation	104,619	205,890
Adjustments for non-cash items:		
Depreciation	72,886	75,487
Amortisation	467,227	230,046
Gain on sale of property, plant and equipment	-	(6,078)
	<u>644,732</u>	<u>505,345</u>
Adjustments for working capital items:		
(Increase)/decrease in other assets	(1,410,391)	446,267
Decrease/(increase) in other liabilities	1,115,379	(5,106,197)
Receipt of corporation tax refund	31,463	86,879
Net cash flows generated/(utilised) by operating activities	<u>381,183</u>	<u>(4,067,706)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,643)	-
Sale of property, plant and equipment	-	8,761
Purchase of intangible assets	(385,274)	(491,813)
Net cash used in investing activities	<u>(386,917)</u>	<u>(483,052)</u>
Net decrease in cash and cash equivalents	<u>(5,734)</u>	<u>(4,550,758)</u>
Cash and cash equivalents at the start of the year	1,921,837	6,472,595
Movement during year	<u>(5,734)</u>	<u>(4,550,758)</u>
Cash and cash equivalents at the end of the year	<u>1,916,103</u>	<u>1,921,837</u>

The notes on pages 13 to 27 are an integral part of these financial statements.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018

1 Nature of operations

Wellesley & Co is a private limited company incorporated in the United Kingdom with a registered office at 6th floor St Albans House, 57/59 Haymarket, London, SW1Y 4QX. The business is that of enabling its retail customers to invest in bond products issued by other companies either within, or related to, the Group. The Company also manages its legacy peer-to-peer products.

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 IFRSs as developed and published by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU").

The comparatives are for the year ended 31 December 2017.

The presentation currency of the financial statements is Pound Sterling.

The financial statements have been prepared on the historical cost basis.

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

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

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

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

There was a prior period adjustment (see note 24 for details).

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

2 Basis of preparation (Continued)

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

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

IFRS 16 Leases

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

The Company holds operating lease for the office building. It has not assessed the impact of adoption of IFRS 16 for a new lease as because the latter has not been agreed yet and, therefore, it is not practicable to estimate such impact at 31 December 2019. Upon transition to IFRS 16 on 1 January 2019, the Company will recognise a right to use asset and related lease liability of less than £140,000 being the current lease liability outstanding.

2.3 Going concern

The financial statements are prepared on a going concern basis, as the directors have considered financial projections for the two years from the year end which supports the directors' view that the Company will continue to operate as a going concern.

The directors have reviewed financial projections and cash forecasts under various scenarios over a two-year period to the end of 2020, which illustrate adequate levels of liquidity and capital for this period. Business investment and the pace of expansion will be managed within the levels of investment available. In summary, the directors are satisfied that the actions being taken to manage the capital and liquidity position of the Company are aligned to its strategic objectives.

3 Significant accounting policies

3.1 Income

Management fees are charged by the Company to Wellesley Finance Plc in order to recoup costs incurred on the P2P platform and promotion of bond products.

Income is recognised monthly in accordance with the terms of the agreement with Wellesley Finance Plc. There is no difference in treatment upon transition to IFRS 15, applicable from January 2018.

3.2 Expenses

Expenses incurred by the Company are accounted for on an accruals basis.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

3 Significant accounting policies (continued)

3.3 IFRS 9, Financial Instruments: Classification and measurement

IFRS9 replaces IAS39 and address the classification, measurement and recognition of financial assets and financial liabilities. The company has assessed the impact of IFRS 9 to the financial statements as follows:

- **Classification and measurement:** The company's financial assets will be reclassified as amortised cost, fair value through other comprehensive income, or fair value through the statement of comprehensive income. Classification will be based on an analysis of the Company's business model objective and the contractual cash flow characteristics of its financial assets. Financial liabilities will be accounted for in the same way as under existing standards. There is no impact on the current and prior year.
- **Impairment:** IFRS 9 introduces a three-stage model for impairment based on change 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 moved to stage three. The expected credit loss for stage one financial instruments is equal to the portion of life expected credit losses that result from default events within the next twelve months. The Expected Credit Loss ("ECL") for stage two and three financial instruments is equal to expected credit losses on a lifetime basis.

The rental deposit in respect of the Company's office is held in a client money account at a law firm and as such is protected under various regulations. As a result, no ECL is considered necessary and is classified as Stage 1. Therefore, the adoption of IFRS 9 has no impact on the financial statements.

3.4 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in the statement of comprehensive income except for items recognised directly in equity or in equity through other comprehensive income.

Current tax

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

Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, the carry forward of unused tax credits and any unused losses.

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

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

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

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

3 Significant accounting policies (continued)

3.5 Intangible assets

Database software

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

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

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

3.6 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset or costs incurred in bringing the asset to use. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost of each asset to realisable values on a straight line basis over its expected useful life, as follows:

- Leasehold improvements – five years
- Furniture, fixture, fittings and equipment – five years
- Computer equipment – five years

3.7 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 assets 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.

3.8 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.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

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

The following is deemed to be a judgement:

Intangible assets

The Company assesses its intangible assets at least annually for evidence of impairment. Where the asset is under development, the Company considers whether it is reasonably likely to complete the asset and bring into use. The Company also considers if an asset will generate sufficient economic benefit over and above the current carrying value of the asset (see note 14 for details).

The Company reassessed the useful life of its intangible asset and made a decision to write down an element of the intangible asset over a shorter life. As a result, additional amortisation of £144,250 was charged in the year (see note 14 for details).

The principal estimate made by the Company relates to the Dilapidations provision which is an estimate based on an external assessment of the current condition of the office building. The estimated total Dilapidations liability is to be in the region of £126,000 but includes associated costs, such as contractors' preliminaries, as well as fees for surveyors, solicitors, contract administration, mechanical and electrical consultants. This figure does not consider any further deterioration of the premises, additional breaches of the tenant's lease covenants, or any changes in construction costs which may arise in the time up to lease expiry.

The Company recognises the cost over the term of the lease.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

5 Income

2018 2017
£ £

Management fees

3,622,574 3,034,613

3,622,574 3,034,613

6 Other income

2018 2017
£ £

Other

- 6,348

- 6,348

7 Other interest receivable and similar income

2018 2017
£ £

Interest income on bank deposits

10,408 -

10,408 -

8 Administrative expense

2018 2017
£ £
Restated

Staff costs

9 453,905 610,859

Advertising & marketing

1,251,842 628,090

Other administrative expenses

492,511 562,683

Recruitment expenses

19,984 26,400

Rent and services lease expense

208,920 208,920

Direct office costs

330,867 361,551

IT costs

230,221 131,035

2,988,250 2,529,538

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

9 Staff costs

	2018	2017
	£	£
		Restated
Salaries and consultancy	401,556	550,214
Social security costs	43,549	56,995
Pension cost, defined contribution scheme	8,800	3,650
	<u>453,905</u>	<u>610,859</u>

The average number of persons employed by the Company during the year was 8 (2017: 10).

The directors are considered to be the only key management personnel.

10 Remuneration of directors

	2018	2017
	£	£
Directors' emoluments	-	76,000
	<u>-</u>	<u>76,000</u>

11 Auditor's remuneration

	2018	2017
	£	£
Auditor's remuneration	21,600	19,159
	<u>21,600</u>	<u>19,159</u>

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

12 Taxation

	2018 £	2017 £
Current tax:		
UK corporation tax at 19% (2017: 19.25%)	-	-
Adjustment in respect of prior periods	(6,697)	-
Total current tax	(6,697)	-
Deferred tax:		
Current year	22,809	87,496
Origination and reversal of temporary differences	33,553	-
Effect of changes in tax rates	(2,400)	(10,213)
Adjustment in respect of prior periods	-	32,083
Total deferred tax	53,962	109,366
Total tax charge	47,265	109,366
Reconciliation of tax charge:		
Profit on ordinary activities before tax	104,619	205,890
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2017: 19.25%)	19,878	39,627
Effects of:		
Adjustment in respect of prior years	26,856	32,083
Expenses not deductible	4,909	3,258
Income not taxable	-	49,330
Tax rate changes	(2,400)	(10,213)
Effects of group relief/other relief	(1,978)	124,597
Additional deduction for R&D expenditure	-	(129,316)
Total tax charge	47,265	109,366

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

13 Property, plant and equipment

	Leasehold improvements	Furniture, fixtures, fittings & equipment	Computer equipment	Total
2018	£	£	£	£
<i>Cost</i>				
At the beginning of the year	332,947	94,656	105,186	532,789
Additions	-	-	1,643	1,643
At the end of the year	332,947	94,656	106,829	534,432
<i>Depreciation</i>				
At the beginning of the year	266,849	47,451	63,644	377,944
Depreciation charge for the year	34,318	18,830	19,738	72,886
At the end of the year	301,167	66,281	83,382	450,830
<i>Net book value</i>				
At the beginning of the year	66,098	47,205	41,542	154,845
At the end of the year	31,780	28,375	23,447	83,602

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

14 Intangible assets

	Database software £	Total £
2018		
<i>Cost</i>		
At the beginning of the year	1,435,856	1,435,856
Additions	385,274	385,274
At the end of the year	1,821,130	1,821,130
<i>Amortisation</i>		
At the beginning of the year	494,973	494,973
Amortised in the year	467,227	467,227
At the end of the year	962,200	962,200
<i>Net book value</i>		
At the beginning of the year	940,883	940,883
At the end of the year	858,930	858,930

During the year the Company reassessed the useful life of an element of the intangible asset. Additional amortisation of £144,250 was charged in the year.

15 Deferred tax asset

	2018 £	2017 £
Deferred tax asset	396,448	450,407
	396,448	450,407

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

16 Other assets

	2018	2017
	£	£
		Restated
Other receivables	234,602	525,959
Accrued income	1,828,626	127,133
Corporation tax	-	24,769
Amounts owed by group undertakings	431	176
	<u>2,063,659</u>	<u>678,037</u>

17 Liabilities

	2018	2017
	£	£
		Restated
Trade payables	37,691	18,499
VAT	48,369	148,399
Accruals	369,204	285,073
Payroll taxes	10,743	15,647
Other payables	12,673	5,388
Amounts owed to group undertakings	3,017,585	1,907,880
	<u>3,496,265</u>	<u>2,380,886</u>

18 Share capital

	2018	2017
	£	£
6,106,000 issued ordinary shares at £1 each	6,106,000	6,106,000
	<u>6,106,000</u>	<u>6,106,000</u>

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

19 Commitments and contingent liabilities

At 31 December 2018, the Company had lease commitments under a non-cancellable operating lease as set out below.

	Land and buildings 2018 £	Land and buildings 2017 £
Operating Lease which expires:		
Within 1 year	139,280	208,920
Within 2 to 5 years	-	139,280
	<u>139,280</u>	<u>348,200</u>

20 Risk management

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

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

Liquidity risk

The Company's sources of funding are from the management charge earned from Wellesley Finance Plc. There is a liquidity risk to being reliant on one form of funding however the Company regularly reviews its working capital requirements. The management charge is calculated based on the costs of operating the P2P platform plus a specific mark up, thus is variable in nature.

The analysis of amounts falling due in respect of other liabilities is shown below:

	2018 £	2017 £ Restated
Amounts falling due:		
Within one year	3,496,265	2,380,886
In the second to fifth year inclusive	-	-
After five years	-	-
	<u>3,496,265</u>	<u>2,380,886</u>

Market risk

Market risk is the risk that the group fails to attract customers to its marketed bond platform to make investments. The Company regularly reviews the behaviour of the group's customers and the trends in the general P2P and bond marketplace. As such it puts through changes where necessary to keep up with these trends.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements

For year ended 31 December 2018

(Continued)

20 Risk management (continued)

Reputational risk

The Company has a high level of sensitivity to reputational risks, particularly those which could potentially result in the Company's retail investors losing confidence in the stability and security of the organisation and ultimately the safety of their investment. It should be noted that a reputational event could be triggered by another participant of the industry and whilst not as a direct result of an issue within the company's business, customers could have concerns about the P2P and bond industry in general.

Information technology and security

The P2P platform is an online business and therefore the information technology and information system security is paramount for the successful running of the Company. The following risks are specifically identified:

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

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

Operational and people risk

The Company's greatest risk is ensuring the process of moving and controlling clients funds is compliant and that the technology is maintained and developed along with the operational processes. The Company is constantly reviewing and updating processes and further developing the software to ensure both are fit for purpose as the Company grows.

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

- extended notice periods;
- introduction of a number of documented procedure manuals and simplification of processes through the introduction of software; and
- a potential introduction of an employee incentive scheme (yet to be approved) which will include medical, critical illness cover, pension etc.

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 less the website and brand development intangible asset less amounts owed to Company undertakings. The details are below:

	2018	2017
	£	£
Share capital	6,106,000	6,106,000
Accumulated losses	(4,283,523)	(4,340,877)
Common equity capital	<u>1,822,477</u>	<u>1,765,123</u>

The capital levels are monitored both at a Company level and throughout the Wellesley Group.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements

For year ended 31 December 2018

(Continued)

21 Related party transactions

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

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

Balances with fellow group companies of Wellesley Group Investors Limited:

	2018 £	2017 £ Restated
Balances owed from fellow subsidiaries	441	186
Balances owed to parent company	(786,575)	(790,628)
Balances owed to fellow subsidiaries	(2,231,010)	(1,117,252)
Management fees to be charged to fellow subsidiaries	3,622,574	3,034,613
Balances due from a director	89	256

The above transactions are considered to be at arm's length.

21 Ultimate controlling party

Wellesley Group Limited, a company incorporated in England, is the immediate parent of the Company.

The ultimate parent undertaking is Wellesley Group Investors Limited which prepares Group Accounts and are available from Companies House.

The ultimate controlling party is IFX Company Trust.

22 Events after the statement of financial position date

The Company obtained full FCA approval on 15 February 2019. The Company will continue to market bond products to retail investors and manage existing P2P clients. No other information has been identified since the statement of financial position date about conditions existing at that date which is required to be disclosed in these financial statements.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2018
(Continued)

24 Prior period restatement

1. In 2018 it was discovered that in the prior year the Company had not recognised £127,133 of Output Tax in respect of 2017 management fees charged to Wellesley Finance plc.

	Note	Impact on Statement of Financial Position As at 31 December 2017
		£
Increase in Output tax payable	17	(127,133)
Increase in Accrued income	16	127,133
Impact on equity at 31 December 2017		-

2. Reclassification - during the preparation of the 2018 financial statements various reclassifications of balances recognised at 31 December 2017 were made to reflect accurately the underlying balances and transactions:

2.1 Deferred tax asset has been reclassified as a Non-Current Asset;

2.2 Intangible assets previously disclosed as Website and Brand development have been reclassified as Database Software to reflect accurately the nature of the underlying asset.