WELLESLEY & CO LIMITED

Annual Report and Financial Statements

For 18 month period ending

31 December 2015

Company Number 07981279

WELLESLEY & CO LIMITED

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

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WELLESLEY & CO LIMITED

Officers and advisers

Directors

Andrew Turnbull
Graham Wellesley
Gary Sher (Appointed 7 July 2015, Resigned 4 July 2016)
Paul Cragg (Resigned 29 March 2016)
Anthony Fane (Resigned 12 October 2015)
Lorenzo Naldini (Resigned 21 October 2015)
Paul Copson (Appointed 31 March 2015, Resigned 29 May 2015)
Stephen Bell (Appointed 17 February 2016)
Paul Whitaker (Appointed 4 November 2015)
Nicholas McAuliffe (Appointed 27 January 2016, Resigned 10 June 2016)

Registered Office

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

Company Registration Number

07981279

Auditors

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

Bankers

Barclays, Leicester, Leicestershire, LE87 2BB

WELLESLEY & CO LIMITED

Strategic Report
For 18 month period ending 31 December 2015

Overview

Wellesley & Co Limited (the "Company") is principally engaged in the provision of Peer to Peer ("P2P") products.

The Company is principally responsible for the strategic marketing and promotion of P2P products to retail investors. The Company matches these products with loans originated by Wellesley Finance Plc. The lending is defined and managed in two principal categories: "Bridging" and "Development". These are managed by separate origination teams, supported by a credit committee and loans administration functions in Wellesley Finance Plc.

Operating and Financial Review

The Company has experienced significant growth over the period as the pace of expansion on the P2P platform has increased. The Company generated £7m of management fees from Wellesley Finance Plc. This management fee represents the costs of operating the P2P platform plus a markup.

Of the £10.1m in administration expenses, £6.0m relates to advertising and marketing costs as the Company has pursued it strategy of brand establishment and market penetration.

Loss before tax for the period was £(4.1m) which is significantly higher than the prior year as a result of the increased spending on advertising and marketing.

Business Review

The Directors are pleased with the ongoing performance of the entity, particularly one that has seen such significant year on year growth.

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

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 of failing to attract customers to its P2P platform. The Company reviews the behaviour of its customers and the trends in the P2P marketplace. The Company mitigates against these 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 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 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 main risks arising from the Company's financial instruments are detailed in note 16.

Graham Wellesley
Director

Approved by order of the Board on ...18/01/17.........

WELLESLEY & CO LIMITED

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

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

Results and dividends

The Company loss for the period before taxation was £(4,131,712) (2014: loss before taxation £703,733). The taxation credit for the period was £757,278 (2014: a credit £158,954).

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

Principal activities

The Company is engaged in the provision of P2P investment products.

Principal risk and uncertainties

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

Post balance sheet events

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

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standard ("IFRS") and applicable law.
Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

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

Graham Wellesley
Director

Approved by the Board of Directors and signed on behalf of the Board on 16/01/17

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

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

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters prescribed by the Companies Act 2006

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

Emphasis of Matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made note 2.3 of the financial statements concerning the Company's ability to continue as a going concern.

There is uncertainty surrounding the outcome of the FCA authorisation process of the Company which represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

WELLESLEY & CO LIMITED

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

Matters on which we are required to report by exception

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

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

BDO LLP

Leigh Treacy (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date 16 JANUARY 2017

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

WELLESLEY & CO LIMITED

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

	Notes	18 month Period to 31 December 2015	Year to 30 June 2014
		£	£
Income	5	6,555,000	534,000
Other income	6	667	-
Total operating income		**6,555,667**	**534,000**
Administrative expenses	7	(10,086,690)	(1,210,322)
Loss from operations		**(3,531,023)**	**(676,322)**
Depreciation	10	(74,535)	(6,373)
Amortisation	11	(526,154)	(21,038)
Loss before tax		**(4,131,712)**	**(703,733)**
Income tax credit	9	757,278	158,954
Loss after taxation - attributable to the equity holders of the Company		**(3,374,434)**	**(544,779)**

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

	18 month Period to 31 December 2015	Year to 30 June 2014
	£	£
Loss after taxation - attributable to the equity holders of the Company	**(3,374,434)**	**(544,779)**
Total other comprehensive income for the period, net of taxation	**-**	**-**
Total comprehensive losses for the period, net of taxation	**(3,374,434)**	**(544,779)**

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 32 form an integral part of these financial statements.

WELLESLEY & CO LIMITED

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

	Notes	31 December 2015	30 June 2014	1 July 2013
Assets		£	£	£
Non-current assets				
Property, plant and equipment	10	446,835	25,222	16,120
Intangible assets	11	1,903,506	84,061	5,580
		2,350,341	**109,283**	21,700
Current assets				
Cash and cash equivalents		1,187,648	14,616	159,618
Other assets	12	1,700,643	144,285	25,459
Total assets		**5,238,632**	**268,184**	**206,777**
Liabilities				
Current liabilities				
Other liabilities	13	3,113,871	874,987	268,801
		3,113,871	**874,987**	**268,801**
Net assets		**2,124,761**	**(606,803)**	**(62,024)**
Equity				
Share capital	14	6,106,000	2	2
Accumulated losses		(3,981,239)	(606,805)	(62,026)
Total equity		**2,124,761**	**(606,803)**	**(62,024)**

The notes on pages 13 to 32 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on .16/05/17....... and were signed on its behalf by:

Andrew Turnbull
Director
Company number 07981279

Graham Wellesley
Director

WELLESLEY & CO LIMITED

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

	Share capital £	Accumulated losses £	Total equity £
Balance at 1 July 2014	2	(606,805)	(606,803)
Total comprehensive loss for the period			
Loss for the period	-	(3,374,434)	(3,374,434)
Other comprehensive income:			
Net change in fair value of investment securities	-	-	-
Tax on other comprehensive income	-	-	-
Total comprehensive loss for the period	**2**	**(3,981,239)**	**(3,981,237)**
Transactions with owners recorded directly in equity:			
Issue of shares	6,105,998	-	6,105,998
Total contributions by and distributions to owners	**6,105,998**	**-**	**6,105,998**
Balance at 31 December 2015	**6,106,000**	**(3,981,239)**	**2,124,761**
Balance at 1 July 2013	2	(62,026)	(62,024)
Total comprehensive loss for the year			
Loss for the year	-	(544,779)	(544,779)
Other comprehensive income:			
Net change in fair value of investment securities	-	-	-
Tax on other comprehensive income	-	-	-
Total comprehensive loss for the year	**2**	**(606,805)**	**(606,803)**
Transactions with owners recorded directly in equity:			
Issue of shares	-	-	-
Total contributions by and distributions to owners	**-**	**-**	**-**
Balance at 30 June 2014	**2**	**(606,805)**	**(606,803)**

The notes on pages 13 to 32 are an integral part of these financial statements.

WELLESLEY & CO LIMITED

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

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Cash flows from operating activities		
(Loss) before taxation	(4,131,712)	(703,733)
Adjustments for non-cash items:		
Depreciation	74,535	6,373
Amortisation	526,154	21,038
	(3,531,023)	(676,322)
Adjustments for working capital items:		
(Increase)/decrease in other assets	(799,081)	(118,826)
Increase in other liabilities	2,238,884	765,141
Net cash flows (used in) from operating activities	**(2,091,220)**	**(30,007)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(496,148)	(15,476)
Purchase of intangible assets	(2,345,599)	(99,519)
Net cash used in investing activities	**(2,841,747)**	**(114,995)**
Cash flows from financing activities		
Proceeds from issue of shares	6,105,998	-
Net cash used in financing activities	**6,105,998**	-
Net (decrease)/increase in cash and cash equivalents	**1,173,031**	**(145,002)**
Cash and cash equivalents at the start of the period	14,616	159,618
Movement during period	1,173,031	(145,002)
Cash and cash equivalents at the end of the period	**1,187,647**	**14,616**

The notes on pages 13 to 32 are an integral part of these financial statements.

1 Nature of operations

Wellesley & Co Limited is a specialist provider of P2P investment 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 International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU").

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

The financial statements have been prepared on the historical cost basis except for the following material items in the financial statements:

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis.
Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

2.2 Future accounting developments

New standards and amendments
There have been no new standards having a material impact on the financial statements for the period. The following standards and amendments to existing standards have been published, but in some case, not yet adopted by the EU. They are mandatory from the financial period beginning on or after the effective dates shown below but are not currently relevant to the Company (although they may affect the accounting for future transactions and events).

2 Basis of preparation *(Continued)*

2.2 Future accounting developments *(Continued)*

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

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

IFRS 9 Financial instruments
IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting.

The key changes relate to:

- Financial assets: Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading and certain debt instruments, which may be held at fair value through other comprehensive income;
- Financial liabilities: Gains and losses arising from changes in own credit on non-derivative financial liabilities designated at fair value through profit or loss will be excluded from the income statement and instead taken to other comprehensive income;
- Impairment: Credit losses expected at the statement of financial position date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss will be reflected in impairment allowances; and
- Hedge accounting: Hedge accounting will be more closely aligned with financial risk management. Adoption is not mandatory until periods beginning on or after 1 January 2018. The standard has not been endorsed by the EU. At this stage, it is not possible to determine the full potential financial impact, but it is expected that IFRS 9's impact on the Company will be in line with the industry, and considerably less significant compared to traditional lending institutions.

IFRS 15 Revenue from contracts with customers
IFRS 15 Revenue will replace IAS 18 Revenue and IAS 11 Construction Contracts. It applies to all contracts with customers except leases, financial instruments and insurance contracts. IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Adoption of the standard is not expected to have a significant impact.

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

Annual Improvements to IFRSs (2012–2014 Cycle)
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

Amendments to IAS 1 Disclosure Initiative

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

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

2 Basis of preparation *(Continued)*

2.2 Future accounting developments *(Continued)*

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the company.

2.3 Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements). In making this assessment, the directors have considered a wide range of information relating to present and future conditions, including the current state of the statement of financial position, future projections of profitability, cash flows and capital resources and the longer term strategy of the business. The Company's forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future, including a range of stressed scenarios, taking management actions into account as appropriate if the additional capital needed to continue the forecast growth strategy is not forthcoming. After making the enquiries, the Directors believe that the Company has sufficient capital to enable it to continue to meet its capital requirements.

3 Significant accounting policies

3.1 Income

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

3.2 Expense

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

3.3 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities held at the statement of financial position date are translated into sterling at the exchange rates ruling at the statement of financial position date. Exchange differences are charged or credited to the income statement.

3 Significant accounting policies *(continued)*

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 to the extent that is relates to a business combination, or items recognised directly in equity or in equity through other comprehensive income.

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.
Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3.5 Intangible assets

Website and brand development

Expenditure on website and brand development 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.

Website and brand development 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 Significant accounting policies *(continued)*

3.5 Intangible assets *(continued)*

ISA & mini bond setup fees

Expenditure on ISA and mini bond setup fees is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the raising of the ISA and mini bonds. The Company will generate future economic benefits from these set up fees.

Marketing promotional costs

Expenditure on marketing promotional costs is recognised as an asset when the Company raises peer to peer capital which these costs relate to. The Company will generate future economic benefits from these costs as the peer to peer capital will be used to fund loans and advances to customers.

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 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.

3.8 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.

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 intangible assets.

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 it into use. The Company also considers if the asset will generate sufficient economic benefit over the and above the current carrying value of the asset.

5 Income

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Management fees	6,555,000	534,000
	6,555,000	**534,000**

6 Other income

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Other	667	-
	667	**-**

7 Administrative expenses

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Advertising & marketing	6,017,867	555,513
Legal & professional	807,389	97,241
Other administrative expenses	3,261,434	557,568
	10,086,690	**1,210,322**

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

8 Auditor's remuneration

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Auditor's remuneration	12,000	5,000
Amounts receivable by the Company's auditor and their associates in respect of other services:		
Tax compliance services	6,000	3,000
Other advisory services	-	-
	18,000	**8,000**

9 Taxation

	18 month Period to 31 December 2015 £	Year to 30 June 2014 £
Recognised in the Statement of Comprehensive Income	(757,278)	-
Current tax:		
UK corporation tax at 20.49% (2014: 22.50%)	(87,926)	(158,954)
Total current tax	**(87,926)**	**(158,954)**
Deferred tax:		
Origination and reversal of temporary difference	(669,352)	-
Total deferred tax	**(669,352)**	**-**
Total tax (credit)	**(757,278)**	**(158,954)**
Reconciliation of tax charge:		
(Loss) on ordinary activities before tax	(4,131,712)	(703,733)
Tax on loss on ordinary activities at standard corporation tax rate of 20.49% (2014: 22.50%)	(846,588)	(144,195)
Effects of:		
Expenses not deductible for tax purposes	68,363	-
Additional deduction for R&D expenditure	(70,259)	-
Surrender of tax losses for R&D tax credit refund	36,378	-
Temporary differences not recognised in the computation	19,647	-
Adjust deferred tax rate to average rate of tax 20.49%	87,427	-
Group relief surrendered/(claimed)	271	(14,759)
IFRS adjustment not recognised	(52,517)	-
Total tax (credit)	**(757,278)**	**(158,954)**

10 Property, plant and equipment

31 December 2015	Leasehold improvements £	Furniture, fixtures, fittings & equipment £	Computer equipment £	Total £
Cost				
At the beginning of the period	7,700	982	23,187	31,869
Additions	316,218	96,866	83,064	496,148
Disposals	-	-	-	-
At the end of the period	**323,918**	**97,848**	**106,251**	**528,017**
Depreciation				
At the beginning of the period	1,668	200	4,779	6,647
Depreciation charge for the period	47,013	10,000	17,522	74,535
Disposals	-	-	-	-
At the end of the period	**48,681**	**10,200**	**22,301**	**81,182**
Net book value				
At the end of the period	**275,237**	**87,648**	**83,950**	**446,835**

30 June 2014	Leasehold improvements £	Furniture, fixtures, fittings & equipment £	Computer equipment £	Total £
Cost				
At the beginning of the period	7,700	194	8,499	16,393
Additions	-	788	14,688	15,476
Disposals	-	-	-	-
At the end of the period	**7,700**	**982**	**23,187**	**31,869**
Depreciation				
At the beginning of the period	128	4	142	274
Depreciation charge for the period	1,540	196	4,637	6,373
Disposals	-	-	-	-
At the end of the period	**1,668**	**200**	**4,779**	**6,647**
Net book value				
At the end of the period	**6,032**	**782**	**18,408**	**25,222**

11 Intangible assets

31 December 2015	Website & brand development £	ISA & mini bond setup fees £	Marketing promotional costs £	Total £
Cost				
At the beginning of the period	105,194	-	-	105,194
Additions	426,407	473,246	1,445,946	2,345,599
Disposals	-	-	-	-
At the end of the period	**531,601**	**473,246**	**1,445,946**	**2,450,793**
Amortisation				
At the beginning of the period	21,133	-	-	21,133
Additions	-	-	-	-
Amortised in the period	91,388	195,036	239,730	526,154
At the end of the period	**112,521**	**195,036**	**239,730**	**547,287**
Net book value				
At the end of the period	**419,080**	**278,210**	**1,206,216**	**1,903,506**

30 June 2014	Website & brand development £	ISA & mini bond setup fees £	Marketing promotional costs £	Total £
Cost				
At the beginning of the period	5,675	-	-	5,675
Additions	99,519	-	-	99,519
Disposals	-	-	-	-
At the end of the period	**105,194**	**-**	**-**	**105,194**
Amortisation				
At the beginning of the period	95	-	-	95
Additions	-	-	-	-
Amortised in the period	21,038	-	-	21,038
At the end of the period	**21,133**	**-**	**-**	**21,133**
Net book value				
At the end of the period	**84,061**	**-**	**-**	**84,061**

12 Other assets

	31 December 2015 £	30 June 2014 £
Other receivables	756,157	111,798
Corporation tax	916,230	-
Amounts owed by group undertakings	28,256	32,487
	1,700,643	**144,285**

13 Other liabilities

	31 December 2015	30 June 2014
	£	£
Trade payables	486,928	105,471
VAT	1,086,285	-
Accruals	262,745	19,760
Amounts owed to group undertakings	1,277,913	749,756
	3,113,871	**874,987**

14 Share capital

	31 December 2015	30 June 2014
	£	£
6,106,000 issued ordinary shares at £1 each	6,106,000	2
	6,106,000	**2**

The Company issued the following ordinary shares at £1 each during the period: 105,998 on 18 December 2014, 4,000,000 on 10 April 2015 and 2,000,000 on 17 June 2015. The 6,106,000 ordinary shares are fully paid up at the period end.

At the period end, the Company had 6,106,000 authorised shares (30 June 2014: 2 authorised shares)

15 Commitments and contingent liabilities

At 31 December 2015, the Company has no commitments or contingent liabilities.

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

	31 December 2015	30 June 2014
	£	£
Amounts falling due:		
Within one year	3,113,871	1,033,940
In the second to fifth year inclusive	-	-
After five years	-	-
	3,113,871	1,033,940

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

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 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.

16 Risk management *(continued)*

Operational and people risk

The Company's greatest are of 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 which would be challenging to replace either as a result of there being scarcity of skillsets or the role requiring familiarisation with a number of internal processes. Management has aimed to mitigate these risks through:

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

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 & brand development intangible asset less amounts owed to group undertakings. The details are below:

	31 December 2015	30 June 2014
	£	£
Share capital	6,106,000	2
Retained earnings	(3,981,239)	(606,805)
Common equity capital	**2,124,761**	**(606,803)**
Website & brand development intangible asset	(419,080)	(84,061)
Amounts owed to group undertakings	(28,256)	(32,487)
Other capital	**(447,336)**	**(116,548)**
Total capital base	**1,677,425**	**(723,351)**

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

17 Related party transactions

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

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

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

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

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

17 Related party transactions *(continued)*

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

	31 December 2015	30 June 2014
	£	£
Wellesley Secured Funding Limited		
Opening balance	-	-
Advances	37,146	-
Repayments	(9,000)	-
	28,146	**-**

The maximum balance during the period was £35,844 (2014: £Nil)

	31 December 2015	30 June 2014
	£	£
Wellesley Lease Finance Limited		
Opening balance	-	-
Advances	180	-
Repayments	(70)	-
	110	**-**

The maximum balance during the period was £180 (2014: £Nil)

The Company owed the below to the following related party entities:

	31 December 2015	30 June 2014
	£	£
Wellesley Finance Plc		
Opening balance	126,467	-
Advances	18,045,193	1,705,861
Repayments	(17,619,773)	(1,579,394)
	551,887	**126,467**

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

	31 December 2015	30 June 2014
	£	£
Wellesley Group Investors Limited		
Opening balance	749,756	184,750
Advances	6,368,566	565,008
Repayments	(6,392,297)	(2)
	726,025	**749,756**

The maximum balance during the period was £843,428 (2014: £749,758)

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

18 Ultimate controlling party

Wellesley Group Limited, a company incorporated in England, is the immediate parent of the Company. The ultimate controlling party of the immediate parent is IFX Group Trust.

19 Events after the statement of financial position date

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

20 Reconciliation of UK GAAP to IFRS

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

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

20 Reconciliation of UK GAAP to IFRS *(continued)*

Income statement: reconciliation from UK GAAP to IFRS

Year to 30 June 2014	UK GAAP £	IFRS adjustment £	IFRS £
Income	534,000	-	534,000
Administrative expenses	(1,210,322)	-	(1,210,322)
(Loss) from operations	**(676,322)**	-	**(676,322)**
Depreciation	(27,411)	-	(27,411)
(Loss) before tax	**(703,733)**	-	**(703,733)**
Income tax charge	158,954	-	158,954
(Loss) after taxation - attributable to the equity holders of the Company	**(544,779)**	-	**(544,779)**

Notes:

1 On transition from UK GAAP to IFRS, there were no adjustments required

20 Reconciliation of UK GAAP to IFRS *(continued)*

Statement of financial position: reconciliation from UK GAAP to IFRS

	UK GAAP	IFRS Adjustment	IFRS
As at 30 June 2014			
Assets	**£**	**£**	**£**
Non-current assets			
Property, plant and equipment	25,222	-	25,222
Intangible assets	84,061	-	84,061
	109,283	-	**109,283**
Current assets			
Cash and cash equivalents	14,616	-	14,616
Other assets	144,285	-	144,285
Total assets	**268,184**	-	**268,184**
Liabilities			
Current liabilities			
Other liabilities	874,987	-	874,987
	874,987	-	**874,987**
Net assets	**(606,803)**	-	**(606,803)**
Equity			
Share capital	2	-	2
Retained earnings/(accumulated losses)	(606,805)	-	(606,805)
Total equity	**(606,803)**	-	**(606,803)**
Total equity	**(606,803)**	-	**(606,803)**

Notes:

1 On transition from UK GAAP to IFRS, there were no adjustments required

20 Reconciliation of UK GAAP to IFRS *(continued)*

Statement of financial position: reconciliation from UK GAAP to IFRS

	UK GAAP	IFRS Adjustment	IFRS
As at 1 July 2013			
Assets	£	£	£
Non-current assets			
Property, plant and equipment	16,120	-	16,120
Intangible assets	5,580	-	5,580
	21,700	**-**	**21,700**
Current assets			
Cash and cash equivalents	159,618	-	159,618
Other assets	25,459	-	25,459
Total assets	**206,777**	**-**	**206,777**
Liabilities			
Current liabilities			
Other liabilities	268,801	-	268,801
	268,801	**-**	**268,801**
Total liabilities	**268,801**	**-**	**268,801**
Net assets	**(62,024)**	**-**	**(62,024)**
Equity			
Share capital	2	-	2
Retained earnings/(accumulated losses)	(62,026)	-	(62,026)
Total equity	**(62,024)**	**-**	**(62,024)**
Total equity	**(62,024)**	**-**	**(62,024)**

Notes:

1 On transition from UK GAAP to IFRS, there were no adjustments required