

WELLESLEY & CO LIMITED

Annual Report and Financial Statements
for the year ended 31 December 2019

Company Number 07981279



WELLESLEY & CO LIMITED

Report and financial statements for the year ended 31 December 2019

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WELLESLEY & CO LIMITED

Officers and advisers

Directors

Andrew Turnbull

Graham Wellesley

James Wilson

Ian McKenzie (*resigned 3rd October 2019*)

Registered Office

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

Company Registration Number

07981279

Auditors

MHA MacIntyre Hudson, 6th Floor, 2 London Wall Place, London, EC2Y 5AU

Bankers

Barclays, Leicester, Leicestershire, LE87 2BB

Legal Advisers

Howard Kennedy LLP, 1 London Bridge, London, SE1 9BG

WELLESLEY & CO LIMITED

Strategic report for the year ended 31 December 2019

Financial Review

The Company generated £3.9m (2018: £3.6m) of management fees from Wellesley Finance Limited. This management fee represents both the costs of operating the Company's investor platform and the costs associated with the distribution and approval of various bond issuances, including sign-off of the related financial promotions. The pricing of this management charge is based on "cost plus %" basis

Of the £3.7m (2018: £3.5m) in administration expenses, £1.3m (2018: £1.3m) relates to advertising and marketing costs which is largely in line with prior year as the Company and the group has continued to focus on new investors.

As documented in the post-balance sheet events note in note 20 on page 22, it became necessary to fully amortise/impair the value of intangible assets, originally valued at £580k on 31 December 2019, to zero as they did not retain value in the future strategy of the business. Equally, the structural changes that will be made in the near future also meant that the deferred tax asset, originally valued at £365k on 31 December 2019, was reduced to zero as the Company no longer expects to be able to realise the value of the asset. Neither of these adjustments were applied to the calculation of the management charge for 2019 or beyond.

Loss before tax for the year was £400k (2018: a profit before tax of £104k) as a result of the higher management charge.

The Company's total assets as at 31 December 2019 were £4.63m (2018: £5.32m) due to the further depreciation/amortisation of non-current assets.

The Company's total liabilities as at 31 December 2019 were £2.7m (2018: £3.50m) due to a decrease in the amount owed to group undertakings and accordingly the Company's current ratio increased to 1.71 times as at 31 December 2019 (2018: restated 1.14 times).

Operating and Business Review

The Company obtained full FCA approval in February 2019 which allowed the Company to approve financial promotions, subject to its strict internal policies and procedures. This authorisation brought with it the expected additional regulatory reporting requirements and to ensure that the Company met all forecast requirements, a decision was made by the Company's parent entity, Wellesley Group Limited, to inject a further £900k of share capital into the Company during the year.

Future Developments

As documented in the post-balance sheet events note in note 20 on page 21, the Company has since signed a Voluntary Requirements Notice (a "VREQ"). As a result of this, it will no longer perform further regulated activity in the future and will seek de-authorisation in due course.

The wider Wellesley Group will not be looking to raise retail funds in the future and so the Company will cease to earn future management fees from this source. It is planned that the Company will support the wider group as required and will retain cash balances to cover future costs and potential future complaints following the WF CVA that may lead to there being compensation payments due to investors if such claims are found to be valid. The Company does not forecast any such payments but wants to ensure that there is available cash to meet any potential claims. These activities will be treated as a discontinued operation in the 2020 financial statements.

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.

Regulatory risk

The Company's business model and ability to earn income is fundamentally linked to being an FCA regulated entity. The Company was therefore reliant on this authorisation continuing to be in place to be able to deliver on the business model. The risk that a change in the regulatory landscape or the FCA suspending the Company's authorisation was a material one.

WELLESLEY & CO LIMITED

Strategic report for the year ended 31 December 2019

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.

European Union Capital Requirements Directive – Pillar 3 (unaudited)

In accordance with Part Eight, "Disclosure by Institutions", of the Capital Requirements Regulation, the Company is required to publish further information to allow external parties to assess the capital adequacy of the organisation, referred to as Pillar 3 disclosures.

The Pillar 3 document is available on the Wellesley website www.wellesley.co.uk.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of an entity to act in the way he or she considers, in good faith, would be most likely to promote the success of the entity for the benefit of its members as a whole. As part of the Entity's deliberations and decision-making process, the Directors also takes into account the following:

- (i) likely consequences of any decision in the long term;
- (ii) the interests of the entity's employees;
- (iii) the need to foster the entity's business relationships with suppliers, customers and others;
- (iv) the impact of the entity's operations on the community and the environment;
- (v) the desirability of the entity maintaining a reputation for high standards of business conduct; and
- (vi) the need to act fairly between members of the company

The Directors consider its stakeholders to be: (a) the employees of the Company and the wider Wellesley Group; (b) our borrowers; (c) our investors; (d) our regulator; and (e) all those that live in the societies we serve. During 2019, the Directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Directors recognise that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values. The Directors are committed to effective engagement with all of its stakeholders.

Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of the Company's engagement with stakeholders, the Directors seek to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision making. The Directors acknowledge however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders. The Directors also challenge management to ensure all stakeholder interests are considered in the day to day management and operations of the Company.

The Directors seek to understand the interests and views of the Company's, and wider Group's, stakeholders by engaging with them directly as appropriate. The Directors will sometimes engage directly with certain stakeholders on specific issues, but the size and distribution of our stakeholders and of the Company and wider Group means that stakeholder engagement often takes place at an operational level. The majority of decisions made by the Directors during the year are deemed to be routine in nature and are taken on a cyclical basis. The Directors are also focused on delivering both fair and right outcomes for all its Stakeholders. The product proposition for both internal and external customer groups has been debated by the Directors. As a result of these activities, The Directors believes it has demonstrated compliance with their legal duty under s.172 of the Companies Act 2006.



Graham Wellesley
Director

Approved by order of the Board on 31 December 2020

WELLESLEY & CO LIMITED

Report of the Directors for the year ended 31 December 2019

Results and dividends

The Company's financial performance is documented on page 2.

The directors do not recommend the payment of a final dividend (2018: £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. However, as described in the strategic report on page 2 the Company is discontinuing these operations.

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 2.

Future developments

The future developments of the Company are detailed in the Strategic Report on page 2.

Post balance sheet events

All post balance sheet events are disclosed in note 20 on page 22.

No other information has been identified since the year-end date, about conditions existing at that date, that need 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 wider Wellesley Group will not be looking to raise retail funds in the future and so the Company will cease to earn future management fees from this source. It is planned that the Company will support the wider group as required and will retain cash balances to cover future costs and potential future complaints following the WF CVA that may lead to there being compensation payments due to investors if such claims are found to be valid. The Company does not forecast any such payments but wants to ensure that there is available cash to meet any potential claims. The Company holds sufficient cash resources to cover future expected costs.

The directors have reviewed financial projections and cash forecasts under various scenarios over a two-year period to the end of 2022, 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

Statement of Director's responsibilities for the year ended 31 December 2019

Statement of director's responsibilities

The director is responsible for preparing the Strategic report, the Director's report and the Financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

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

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

The Company's fellow subsidiary, Wellesley Finance Limited ("WF"), had its prospectus for an unsecured listed bond programme approved the Central Bank of Ireland on 28 March 2020. At the time, WF intended to list new debt in 2020 meaning that WF, and in turn the wider Wellesley Corporate Group, would become classified as a "Public Interest Entity" (a "PIE").

On discussion with our previous auditor, Haysmacintyre LLP, we were advised that, following a risk review of the firm's public interest entity audits, a decision had been made to audit only certain PIE clients. As a result, they communicated to us that they did not seek reappointment.

It was therefore resolved to appoint MHA MacIntyre Hudson as auditors during the year, and it is proposed to reappoint MHA MacIntyre Hudson as auditor at the Annual General Meeting.



Graham Wellesley
Director

Approved by the Board of Directors and signed on behalf of the Board on 31 December 2020.

WELLESLEY & CO LIMITED

Independent auditor's report for the year ended 31 December 2019

Independent auditor's report to the members of Wellesley & Co Limited

Opinion

We have audited the financial statements of Wellesley & Co Limited (the "company") for the year ended 31 December 2019, which comprise the Statement of profit and loss and other comprehensive income, the Statement of financial position, the Statement of Changes in Equity, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as applied in accordance with the provisions to 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 2019, and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Material uncertainty related to going concern

We draw attention to note 2.3 of the financial statements, which outlines the significant developments affecting the group's ability to continue providing financial support to the company. As stated in note 2.3 of the financial statements, these events or conditions, indicate that a material uncertainty exist that may cast a significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information 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 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 reports 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 the year ended 31 December 2019

Independent Auditor's Report to the Members of Wellesley & Co Limited (continued)

Matters on which we are required to report by exception

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, 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
- 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 members 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 members 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: <https://www.frc.org.uk/auditors/audit-assurance>. 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 this report, or for the opinions we have formed.



Rakesh Shaunak *Senior Statutory Auditor*
For and on behalf of MHA MacIntyre Hudson, *Statutory Auditor*
6th Floor
2 London Wall Place
London, EC2Y 5AU
31 December 2020

WELLESLEY & CO LIMITED

Statement of profit and loss and other comprehensive income for the year ended 31 December 2019

| Statement of profit & loss | Notes | 2019 £'000 | 2018 £'000 |
|---|--------|---------------|---------------|
| Income | 5 | 3,905 | 3,622 |
| Administrative expenses | 6 | (3,739) | (3,528) |
| Impairment of intangible assets | 11 | (580) | - |
| (Loss)/Profit from operations | | (414) | 634 |
| Bank interest | | 25 | 10 |
| Loss on disposals | 10, 11 | (11) | - |
| (Loss)/Profit before tax | | (400) | 104 |
| Income tax charge | 9 | (396) | (47) |
| (Loss)/Profit after taxation - attributable to the equity holders of the Company | | (796) | 57 |
| Other comprehensive income | | - | - |
| Total other comprehensive income for the year | | - | - |
| Total comprehensive (loss)/profit for the year | | (796) | 57 |

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

The accounting policies and notes set out on pages 12 to 23 form an integral part of these financial statements.

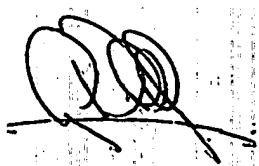
WELLESLEY & CO LIMITED

Statement of financial position as at 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|--------------------------------|-------|---------------|---------------|
| Assets | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 10 | 17 | 84 |
| Intangible assets | 11 | - | 859 |
| Right of use asset | 12 | 12 | - |
| Deferred tax asset | 9 | - | 396 |
| | | 29 | 1,339 |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | | 612 | 1,916 |
| Right of use asset | 12 | 141 | - |
| Other assets | 13 | 3,844 | 2,064 |
| Total assets | | 4,626 | 5,319 |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Lease liability | | 150 | - |
| Other liabilities | 14 | 2,532 | 3,497 |
| <i>Non-current liabilities</i> | | | |
| Lease liability | | 18 | - |
| Total liabilities | | 2,700 | 3,497 |
| Net assets | | 1,926 | 1,822 |
| Equity | | | |
| Share capital | 15 | 7,006 | 6,106 |
| Retained earnings | | (5,080) | (4,284) |
| Total equity | | 1,926 | 1,822 |

The notes on pages 12 to 23 are an integral part of these financial statements.

These financial statements were approved by the director on 31 December 2020 and were signed on his behalf by:



Graham Wellesley
Director
Company number 07981279

WELLESLEY & CO LIMITED

Statement of changes in equity for the year ended 31 December 2019

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|--|------------------------|----------------------------|-----------------------|
| Balance at 1 January 2019 | 6,106 | (4,284) | 1,822 |
| Total comprehensive income for the year | | | |
| Profit for the year | - | (796) | (796) |
| Total comprehensive income for the year | - | (796) | (796) |
| Transactions with owners recorded directly in equity: | | | |
| Issue of shares | 900 | - | 900 |
| Total contributions by and distributions to owners | 900 | - | 900 |
| Balance at 31 December 2019 | 7,006 | (5,080) | 1,926 |

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|--|------------------------|----------------------------|-----------------------|
| Balance at 1 January 2018 | 6,106 | (4,341) | 1,765 |
| Total comprehensive income for the year | | | |
| Profit for the year | - | 57 | 57 |
| Total comprehensive income for the year | - | 57 | 57 |
| Balance at 31 December 2018 | 6,106 | (4,284) | 1,822 |

The notes on pages 12 to 23 are an integral part of these financial statements.

WELLESLEY & CO LIMITED

Statement of cash flows for the year ended 31 December 2019

| | 2019 £'000 | 2018 £'000 |
|--|----------------|---------------|
| Cash flows from operating activities | | |
| Profit before taxation | (400) | 104 |
| Adjustments for non-cash items: | | |
| Depreciation of property, plant and equipment | 67 | 73 |
| Disposal of property, plant and equipment | 7 | - |
| Amortisation of intangible assets | 525 | 467 |
| Disposal of intangible assets | 4 | - |
| Impairment of intangible assets | 580 | - |
| IFRS 16 lease recognition | 15 | - |
| | 798 | 644 |
| Adjustments for working capital items and loans & advances: | | |
| Increase in other assets | (1,780) | (1,409) |
| (Decrease)/increase in other liabilities | (965) | 1,115 |
| Receipt of corporation tax refund | - | 31 |
| Net cash flows (utilised)/generated in operating activities | (1,947) | 381 |
| Cash flows from investing activities | | |
| Capital injection | 900 | - |
| Purchase of property, plant and equipment | (7) | (2) |
| Purchase of intangible assets | (250) | (385) |
| Net cash flows generated/(utilised) in investing activities | 643 | (387) |
| Net decrease in cash and cash equivalents | (1,304) | (6) |
| Cash and cash equivalents at the start of the year | 1,916 | 1,922 |
| Cash and cash equivalents at the end of the year | 612 | 1,916 |

The notes on pages 12 to 23 are an integral part of these financial statements.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019

1 Nature of operations

Wellesley & Co Limited 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 2018.

The presentation currency of the financial statements is Pound Sterling and amounts are rounded to the nearest £1,000.

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 adopted by the Directors are described below and have been applied consistently year on year.

2.2 New accounting standards

There are several standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods. The Company has decided not to early adopt any of them, and does not feel there will be a material impact caused by them.

The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting policies, changes in accounting estimates and errors) are both amended reflecting changes to the definition of "Material";
- IFRS 3 (Business combinations) is amended to reflect the definition of "Business"; and
- A revised conceptual framework for financial reporting.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendment also clarifies that "settlement" includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instruments separately from the liability component of a compound financial instruments. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

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 support the directors' view that the Company will continue to operate as a going concern. This is primarily due to having sufficient cash reserves to meet all expected future costs.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019

The wider Wellesley Group will not be looking to raise retail funds in the future and so the Company will cease to earn future management fees from this source. It is planned that the Company will support the wider group as required and will retain cash balances to cover future costs and potential future complaints following the WF CVA that may lead to there being compensation payments due to investors if such claims are found to be valid. The Company does not forecast any such payments but wants to ensure that there is available cash to meet any potential claims.

The Company holds sufficient cash resources to cover future expected costs.

The directors have reviewed financial projections and cash forecasts under various scenarios over a two-year period to the end of 2022, 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.

COVID-19

In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Notwithstanding the above assessment, the Directors recognise that there are some issues which indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

3 Significant accounting policies

3.1 Income

This management fee represents both the costs of operating the Company's investor platform and the costs associated with the distribution and approval of various bond issuances, including sign-off of the related financial promotions. The pricing of this management charge is based on "cost plus %" basis and is the Company's sole source of income. There have been no significant changes to the agreement in the past year.

Management fees are charged by the Company to Wellesley Finance Limited in order to recoup costs incurred on the P2P platform and promotion of bond products. Accordingly, all revenue is generated from the UK, and is dependant on Wellesley Finance continuing to need the services of the Company.

Income is recognised monthly in accordance with the terms of the agreement with Wellesley Finance Limited. There are no outstanding performance obligations at year end.

3.2 Expenses

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

3.3 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.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019

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.

3.4 Intangible assets

Database software

Expenditure on database software was recognised as an asset when the Company was 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 were 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 was five years but has since been fully amortised/impaired to zero.

3.5 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

Under IFRS-16 all leases are treated similarly to finance leases, including those previously recognised as operating leases. The Group have adopted the modified retrospective approach and therefore the comparative information has not been restated. Assets held under leases are recognised as assets of the Group at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments as right of use assets. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation at the present value of the of the lease payments outstanding at the commencement date.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. Estimated useful lives are on the same basis as those of other similar classes of assets.

3.6 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.

3.7 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 the year ended 31 December 2019

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 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 the most important to the portrayal of the Company's financial condition are those relating to intangible assets.

The following are deemed to be judgements and estimates:

Intangible assets

The Company historically reassessed the value of its intangible assets at least annually for evidence of impairment. As previously discussed, the value of all intangible assets have all since been fully amortised/impaired down to zero. See note 11 for details.

Dilapidations

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.

5 Income

| | 2019 | 2018 |
|-----------------|-------|-------|
| | £'000 | £'000 |
| Management fees | 3,905 | 3,622 |

6 Administration expenses

| | Notes | 2019 | 2018 |
|--|-------|-------|-------|
| | | £'000 | £'000 |
| Staff costs | 7 | 594 | 454 |
| Advertising & marketing | | 1,324 | 1,252 |
| Other administrative expenses | | 419 | 396 |
| Legal & professional | | 81 | 116 |
| Irrecoverable VAT | | 25 | - |
| Amortisation of intangible assets | 11 | 525 | 467 |
| Depreciation of property, plant, and equipment | 10 | 67 | 73 |
| Direct office costs | | 470 | 540 |
| IT costs | | 234 | 230 |
| | | 3,739 | 3,528 |

WELLESLEY & CO LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019

7 Staff costs

| | 2019 | 2018 |
|---------------------------|------------|------------|
| | £'000 | £'000 |
| <i>Wages and salaries</i> | | |
| Central functions | 154 | 100 |
| Operations | 359 | 301 |
| | 513 | 401 |
| Social security costs | 57 | 44 |
| Pension costs | 16 | 9 |
| Employee benefits | 8 | - |
| | 594 | 454 |

Average staff numbers in the year have been allocated per department as follows:

| | 2019 | 2018 |
|-------------------|-----------|----------|
| Central functions | 3 | 2 |
| Operations | 7 | 6 |
| | 10 | 8 |

The average number of persons employed by the Company during the year was 10 (2018: 8)

The directors are considered to be the only key management personnel. None of the Directors received remuneration from the Company during the year, or prior year, as they are remunerated by other Group entities.

8 Auditor's remuneration

| | 2019 | 2018 |
|--|-----------|-----------|
| | £'000 | £'000 |
| Auditor's remuneration for audit services provided | 24 | 22 |

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
for the year ended 31 December 2019

9 Taxation

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Recognised in the Statement of Comprehensive Income | - | - |
| Current tax: | | |
| Adjustment in respect of prior periods | - | (7) |
| Total current tax | - | (7) |
| Deferred tax: | | |
| Current year | 396 | 23 |
| Origination and reversal of temporary difference | - | 33 |
| Effect of changes in tax rates | - | (2) |
| Total deferred tax | 396 | 54 |
| Total tax charge | 396 | 47 |
| Reconciliation of tax charge: | | |
| (Loss)/Profit on ordinary activities before tax | (400) | 104 |
| Tax on (loss)/profit on ordinary activities at standard corporation tax rate of 19% (2018: 19%) | (76) | 20 |
| <i>Effects of:</i> | | |
| Adjustment in respect of prior years | - | 27 |
| Expenses not deductible | 6 | 4 |
| Movements in deferred tax | 396 | - |
| Tax rate changes | - | (2) |
| Effects of group relief/other relief | - | (2) |
| Amounts not recognised | 70 | - |
| Total tax charge | 396 | 47 |
| Deferred tax assets | | |
| Provision at start of period | (396) | (450) |
| Adjustment in respect of prior years | - | 33 |
| Deferred tax charge to I/S for the period | 396 | 21 |
| Provision at end of period | - | (396) |

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
for the year ended 31 December 2019

10 Property, plant, and equipment

| 2019 | Leasehold improvements £'000 | Furniture, fixtures, fittings & equipment £'000 | Computer equipment £'000 | Total £'000 |
|-------------------------------------|---|--|---|------------------------|
| <i>Cost</i> | | | | |
| At the beginning of the year | 176 | 95 | 107 | 378 |
| Additions | 4 | - | 3 | 7 |
| Disposals | (9) | (6) | (50) | (65) |
| At the end of the year | 171 | 89 | 60 | 320 |
| <i>Depreciation</i> | | | | |
| At the beginning of the year | 144 | 66 | 84 | 294 |
| Depreciation charge for the year | 29 | 19 | 19 | 67 |
| Disposals | (8) | (5) | (45) | (58) |
| At the end of the year | 165 | 80 | 58 | 303 |
| <i>Net book value</i> | | | | |
| At the beginning of the year | 32 | 29 | 23 | 84 |
| At the end of the year | 6 | 9 | 2 | 17 |
| 2018 | | | | |
| <i>Cost</i> | | | | |
| At the beginning of the year | 176 | 95 | 105 | 376 |
| Additions | - | - | 2 | 2 |
| Disposals | - | - | - | - |
| At the end of the year | 176 | 95 | 107 | 378 |
| <i>Depreciation</i> | | | | |
| At the beginning of the year | 110 | 47 | 64 | 221 |
| Depreciation charge for the year | 34 | 19 | 20 | 73 |
| Disposals | - | - | - | - |
| At the end of the year | 144 | 66 | 84 | 294 |
| <i>Net book value</i> | | | | |
| At the beginning of the year | 66 | 47 | 42 | 155 |
| At the end of the year | 32 | 29 | 23 | 84 |

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
for the year ended 31 December 2019

11 Intangible assets

| | 2019 | 2018 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Database software | | |
| <i>Cost</i> | | |
| At the beginning of the year | 1,821 | 1,436 |
| Additions | 250 | 385 |
| Disposals | (7) | - |
| At the end of the year | 2,064 | 1,821 |
| <i>Amortisation</i> | | |
| At the beginning of the year | 962 | 495 |
| Amortisation charge for the year | 525 | 467 |
| Impairment | 580 | - |
| Disposals | (3) | (0) |
| At the end of the year | 2,064 | 962 |
| <i>Net book value</i> | | |
| At the beginning of the year | 859 | 941 |
| At the end of the year | - | 859 |

12 Right of use asset

| 2019 | Right of use asset |
|-------------------------------------|--------------------|
| | £'000 |
| <i>Cost</i> | |
| At the beginning of the year | 139 |
| Additions | 200 |
| Disposals | - |
| At the end of the year | 339 |
| <i>Amortisation</i> | |
| At the beginning of the year | - |
| Amortisation charge for the year | 186 |
| Disposals | - |
| At the end of the year | 186 |
| <i>Net book value</i> | |
| At the beginning of the year | 139 |
| At the end of the year | 153 |
| Split between: | |
| Non-current asset | 12 |
| Current asset | 141 |
| | 153 |

In respect of the right of use asset and lease liabilities disclosed on the balance sheet, these relate to the office premises occupied by the Company and the Group.

As described in the post balance sheet event note on page 21, the Company entered a lease extension on its current office premises on 31 August 2019 before giving notice in September 2020. At the date of approval of these financial statements the Company is due to exit the property in less than 31 days.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019

13 Other assets

| | 2019 | 2018 |
|---------------------------|--------------|--------------|
| | £'000 | £'000 |
| Other receivables | 3,781 | 1,946 |
| Prepayments | 61 | 118 |
| Balance owed by directors | 2 | 0 |
| | 3,844 | 2,064 |

Other receivables include £3,416k (2018: £1,485k) of Management fees owed to the Company by Wellesley Finance Limited.

14 Other liabilities

| | 2019 | 2018 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Trade payables | 114 | 38 |
| Other taxation and social security costs | 192 | 59 |
| Accruals and deferred income | 412 | 369 |
| Other payables | 16 | 13 |
| Balance owed to group undertakings | 1,798 | 3,018 |
| | 2,532 | 3,497 |

15 Share capital

| | 2019 | 2018 |
|---|--------------|--------------|
| | £ | £ |
| 7,006,000 issued ordinary shares at £1 each (2018: 6,106,000) | 7,006 | 6,106 |

On 9th August 2019, Wellesley Group Limited invested £900,000 in 900,000 ordinary shares of £1 nominal value each. The share capital was fully paid up. All shares have equal voting rights and equal rights to capital distributions

16 Commitments and contingent liabilities

At 31 December 2019, the Company had lease commitments under a non-cancellable lease as set out below:

| Land and buildings | 2019 | 2018 |
|-----------------------------|------------|------------|
| | £'000 | £'000 |
| Lease which expires: | | |
| Within 1 year | 141 | 139 |
| Within 2 to 5 years | 12 | - |
| | 153 | 139 |

On 30 August 2019, the Company also entered into a lease extension on its current office premises, the terms of which are not materially different to the existing terms. Subsequently, in September 2020, notice was given to the landlord and the lease is due to terminated in January 2021.

17 Risk management

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

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

WELLESLEY & CO LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019

Liquidity risk

The Company's sources of funding are from the management charge earned from Wellesley Finance Limited. 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 investor 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:

| | 2019 | 2018 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts falling due: | | |
| Within one year | 2,682 | 3,497 |
| In the second to fifth year inclusive | 18 | - |
| After five years | - | - |
| | 2,700 | 3,497 |

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 amounts owed to Company undertakings. The details are below:

| | 2019 | 2018 |
|--------------------|--------------|--------------|
| | £'000 | £'000 |
| Share capital | 7,006 | 6,106 |
| Accumulated losses | (5,080) | (4,284) |
| | 1,926 | 1,822 |

The capital levels are monitored both at a Company level and throughout the Wellesley Group. This is evidenced by the additional capital invested into the Company during the year to ensure that its forecast future regulatory capital requirements can be met.

Information technology and security

The investor platform is an online business and therefore the information technology and information system security are 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 client's 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.

The Group has invested significantly in its people and have previously strived to ensure that its staff retention rates are high. Given recent events, management will need to work hard to ensure that they can retain those considered to be key to the future of the Group.

18 Related party transactions

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

WELLESLEY & CO LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019

Balances with fellow subsidiaries of Wellesley Group Investors Limited:

| | 2019 | 2018 |
|-------------------------------------|-------|-------|
| | £ | £ |
| Balance owed to fellow subsidiaries | 1,090 | 2,231 |
| Balance owed to parent | 709 | 787 |
| Balance owed by directors | 2 | 0 |

Included in other receivables in note 13 was an amount of £3,416k (2018: £1,485k) owed from Wellesley Finance Limited in respect of inter-company management charge receivable by Wellesley & Co. Limited. The total amount charged for the year ended 31 December 2019 was £3,906k (2018: £3,623k).

19 Ultimate controlling party

Wellesley Group Limited, a company incorporated in England, is the immediate parent of the Company. Wellesley Group Investors Limited, the parent of Wellesley Group Limited, prepares consolidated financial statements which includes the results of the Company for the year. All of these Companies are registered at: 6th Floor, St Albans House, 57/59 Haymarket, London, SW1Y 4QX.

Graham Wellesley is the ultimate controlling party by virtue of his shareholding in Wellesley Group Investors Limited.

20 Events after the statement of financial position date

Non-adjusting post balance sheet events

COVID-19

During late 2019 and early 2020, the outbreak of a respiratory disease referred to as the coronavirus was first detected in China this has now been spread globally. On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak a "public health emergency of international concern". This issue remains live at the date of the approval of the financial statements.

Voluntary Requirements Notice

During late 2019 and early 2020, the Company's sister company, Wellesley Finance Limited ("WF") (formerly Wellesley Finance plc) suffered a significant timing delay in the repayment of one of its material development loans. While WF ultimately received full repayment of all amounts due, and no event of default was called by it, the delay impacted the operations of the business. While WF's liquidity forecasts deal with, and model, various stressed scenarios, this delay was longer than could have been expected and went beyond the normal types of delays ever experienced in WF's past. After utilising the various liquidity levers available, WF was still required to take further action and so for a period of 31 days in March and April 2020, delayed repayments to 262 clients (2% of the total client base) totalling £1.53m (1.2% of the total investment book). These were all subsequently repaid along with additional interest to compensate for the short delay.

As a result of these investor payments the Company, as the regulated entity in the wider Wellesley Group, notified the FCA. This then triggered significant dialogue from April 2020 onwards and, amid the COVID-19 crisis and various other firms also making liquidity decisions, resulted in the FCA requesting that W&CO sign a Voluntary Requirements Notice (a "VREQ"). This is a voluntary and temporary measure to restrict regulated activity. The regulated entity, W&CO signed the VREQ in September 2020. Full details can be seen on the FCA register.

Accordingly, intangible assets that were originally valued in the Company at £580k on 31 December 2019 were fully amortised/impaired down to zero as they did not retain value in the future strategy of the business. The structural changes that will be made in the near future also meant that the deferred tax asset, originally valued in the Company at £365k on 31 December 2019, was reduced to zero as the Group no longer expects to be able to realise the value of the asset.

Lease extension

On 30 August 2019, the Company also entered into a lease extension on its current office premises, the terms of which are not materially different to the existing terms. Subsequently, in September 2020, notice was given to the landlord and the lease is due to terminate in January 2021. There are no early termination costs or other charges that the Company will need to pay to terminate its obligations under the lease.

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Notes forming part of the financial statements for the year ended 31 December 2019

No further information has been identified, other than as stated in the Strategic Report on pages 2-3 in the period between 31 December 2019 and the date of approval of these financial statements that would require the Company to adjust for or disclose in these financial statements. Information on the potential financial impact of these changes are included in the strategic report where necessary.