

WELLESLEY & CO LIMITED

Annual Report and Financial Statements

For year ended 31 December 2017

Company Number 07981279

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WELLESLEY & CO LIMITED

Report and financial statements
For year ended 31 December 2017

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WELLESLEY & CO LIMITED

Officers and advisers

Directors

Andrew Turnbull
Graham Wellesley
Stephen Bell (Resigned 31 January 2018)
Paul Whitaker (Resigned 21 December 2017)
James Mailor Wilson (Appointed 01 June 2018)

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

Lloyds, Threadneedle Street, London, EC2R 8AY

Legal Advisers

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

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

WELLESLEY & CO LIMITED

Strategic Report For year ended 31 December 2017

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 primarily to mid-sized property developers in England and Wales. 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 generated £3.0m (2016: £5.4m) of management fees from Wellesley Finance Plc. This management fee represents the costs of operating the P2P platform plus a markup.

Of the £2.5m (2016 restated: £5.3m) in administration expenses, £0.6m (2016 restated: £2.9m) relates to advertising and marketing costs which is £2.3m less than the prior year as the Company pursues a more measured approach in respect of marketing spend.

Profit before tax for the year was £0.2m (2016 restated: a loss before tax of £0.2m) which is a significant improvement over the prior year as a result of the lower spend on advertising and marketing.

Business Review

The Directors are pleased with the ongoing performance of the Company.

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

Future Development

The outlook for the company remains positive, with post balance sheet progress on our FCA application for approval. We remain committed to supporting our existing peer-to-peer customers while attracting new bond investors on behalf of the wider Wellesley Group.

WELLESLEY & CO LIMITED

Strategic Report *(continued)* For year ended 31 December 2017

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 18.



Andrew Turnbull
Director

Approved by order of the Board on 26 Oct 2018

WELLESLEY & CO LIMITED

Report of the Directors For year ended 31 December 2017

The Directors present the strategic report, directors' report and the financial statements of Wellesley & Co Limited for the year ended 31 December 2017. The directors of the Company during the year were those listed on page 2.

Results and dividends

The Company profit before taxation for the year was £0.2m (2016 restated: a loss before tax of £0.2m). The taxation charge for the year was £0.1m (restated 2016: a charge of £0.2m).

The directors do not recommend the payment of a final dividend (2016: £Nil).

Principal activities

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

Principal risk and uncertainties

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

Future developments

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

Post balance sheet events

No other 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.

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 date of approval of the financial statements which support the directors' view that the Company will continue to operate as a going concern.

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

WELLESLEY & CO LIMITED

Report of the Directors *(continued)* For year ended 31 December 2017

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

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

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

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

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



Andrew Turnbull
Director

Approved by the Board of Directors and signed on behalf of the Board on 26 Oct 2018

WELLESLEY & CO LIMITED

Independent auditor's report For year ended 31 December 2017

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

Opinion

We have audited the financial statements of Wellesley & Co. Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of other comprehensive income, statement of financial position, statement of changes in equity, 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material

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

WELLESLEY & CO LIMITED

Independent auditor's report *(continued)* For year ended 31 December 2017

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

WELLESLEY & CO LIMITED


Independent auditor's report *(continued)* For year ended 31 December 2017

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP


Leigh Treacy (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

26 October 2018

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

WELLESLEY & CO LIMITED

Statement of comprehensive income For year ended 31 December 2017

	Notes	Year to 31 December 2017 £	Year to 31 December 2016 £ Restated
Income	5	3,034,613	5,431,400
Other income	6	6,348	-
Total operating income		3,040,961	5,431,400
Administrative expenses	7	(2,529,538)	(5,266,708)
Profit from operations		511,423	164,692
Depreciation	12	(75,487)	(223,640)
Amortisation	13	(230,046)	(152,406)
Profit/(loss) before tax		205,890	(211,354)
Income tax charge	11	(109,366)	(244,808)
Profit/(loss) after taxation - attributable to the equity holders of the Company		96,524	(456,162)

Statement of other comprehensive income For year ended 31 December 2017

	Year to 31 December 2017 £	Year to 31 December 2016 £ Restated
Profit/(loss) after taxation - attributable to the equity holders of the Company	96,524	(456,162)
Total other comprehensive income/(losses) for the year, net of taxation	-	-
Total comprehensive income/(losses) for the year, net of taxation	96,524	(456,162)

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 14 to 32 form an integral part of these financial statements.

WELLESLEY & CO LIMITED

Statement of financial position For year ended 31 December 2017

	Notes	2017 £	2016 £ Restated
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	154,845	233,014
Intangible assets	13	940,883	679,116
		1,095,728	912,130
<i>Current assets</i>			
Cash and cash equivalents		1,921,837	6,472,595
Other assets	14	1,001,311	1,643,824
Total assets		4,018,876	9,028,549
Liabilities			
<i>Current liabilities</i>			
Other liabilities	15	2,253,753	7,359,950
		2,253,753	7,359,950
Net assets		1,765,123	1,668,599
Equity			
Share capital	16	6,106,000	6,106,000
Accumulated losses		(4,340,877)	(4,437,401)
Total equity		1,765,123	1,668,599

The notes on pages 14 to 32 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 26 Oct 2018 and were signed on its behalf by:



Andrew Turnbull
Director
Company number 07981279

WELLESLEY & CO LIMITED

Statement of changes in equity For year ended 31 December 2017

	Share capital £	Accumulated losses £	Total equity £
Balance at 1 January 2017	6,106,000	(4,437,401)	1,668,599
Total comprehensive profit for the year			
Profit for the year	-	96,524	96,524
Other comprehensive income	-	-	-
Total comprehensive income for the year	6,106,000	(4,340,877)	1,765,123
Transactions with owners recorded directly in equity:			
Issue of shares	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2017	6,106,000	(4,340,877)	1,765,123
Balance at 1 January 2016 Restated	6,106,000	(3,981,239)	2,124,761
Total comprehensive loss for the period			
Loss for the period	-	(456,162)	(456,162)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	6,106,000	(4,437,401)	1,668,599
Transactions with owners recorded directly in equity:			
Issue of shares	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2016 Restated	6,106,000	(4,437,401)	1,668,599

The notes on pages 14 to 32 are an integral part of these financial statements.

WELLESLEY & CO LIMITED

Statement of cash flows For year ended 31 December 2017

	2017 £	2016 £ Restated
Cash flows from operating activities		
Profit/(loss) before taxation	205,890	(211,354)
Adjustments for non-cash items:		
Depreciation	75,487	223,640
Amortisation	230,046	152,406
(Gain) on sale of property, plant and equipment	(6,078)	-
	<u>505,345</u>	<u>164,692</u>
Adjustments for working capital items:		
(Increase)/Decrease in other assets	446,267	1,296,437
(Decrease)/increase in other liabilities	(5,106,197)	4,246,079
Receipt of corporation tax refund	86,879	-
Net cash flows (utilised)/generated by operating activities	<u>(4,067,706)</u>	<u>5,707,208</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(9,819)
Sale of property, plant and equipment	8,761	-
Purchase of intangible assets	(491,813)	(412,442)
Net cash used in investing activities	<u>(483,052)</u>	<u>(422,261)</u>
Net (decrease)increase in cash and cash equivalents	<u>(4,550,758)</u>	<u>5,284,947</u>
Cash and cash equivalents at the start of the year	6,472,595	1,187,648
Movement during year	<u>(4,550,758)</u>	<u>5,284,947</u>
Cash and cash equivalents at the end of the year	<u>1,921,837</u>	<u>6,472,595</u>

The notes on pages 14 to 32 are an integral part of these financial statements.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017

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 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 2016.

The presentation currency of the financial statements is Pound Sterling.

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

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

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

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

There was a prior period adjustment. See note 22 for details.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

2 Basis of preparation (Continued)

2.2 Future accounting developments

New standards and amendments

There have been no new standards having a material impact on the financial statements for the period. The following standards and amendments to existing standards have been published, but in some cases, not yet adopted by the EU. They are mandatory from the financial period beginning on or after the effective dates shown below.

- IFRS 9 – Financial instruments classification and measurement. Applicable for financial years beginning on or after 1 January 2018. IFRS 9 was endorsed by the EU in November 2016.
- IFRS 15 – Revenue from contracts with customers. Applicable for financial years beginning on or after 1 January 2018. IFRS 15 was endorsed by the EU in September 2016.
- IFRS 16 – Leases. Applicable for financial years beginning on or after 1 January 2019. IFRS 16 was endorsed by the EU in October 2017.

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; and
- 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.

Adoption is not mandatory until periods beginning on or after 1 January 2018.

Management do not expect any material impact from IFRS 9 Financial Instruments.

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. Management consider the performance obligation defined in IFRS 15, in the context of contracts for acting as agent, to be the continual management of the loan portfolio. Management do not expect a material impact from IFRS 15 Revenue from Contracts with Customers.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 *(Continued)*

2 Basis of preparation *(continued)*

2.2 Future accounting developments *(continued)*

IFRS 16 Leases

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The Company holds operating leases for several printers. On review of IFRS 16 in respect of these leases, there will not be a material impact on the Company.

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 date of approval of the financial statements which supports the directors' view that the Company will continue to operate as a going concern

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

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.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

3 Significant accounting policies (continued)

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 it 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.

3.4 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.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

3 Significant accounting policies (continued)

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

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 year ended 31 December 2017
(Continued)

4 Use of estimates and judgements

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

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

The following is deemed to be a judgement:

Intangible assets

The Company assesses its intangible assets at least annually for evidence of impairment. Where the asset is under development, the Company considers whether it is reasonably likely to complete the asset and bring into use. The Company also considers if asset will generate sufficient economic benefit over the and above the current carrying value of the asset. See note 13 for details.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

5 Income

	2017 £	2016 £
Management fees	3,034,613	5,431,400
	3,034,613	5,431,400

6 Other income

	2017 £	2016 £
Other	6,348	-
	6,348	-

7 Administrative expenses

		2017 £	2016 £ Restated
Staff costs	8	610,859	681,894
Advertising & marketing		628,090	2,863,102
Legal & professional		151,412	328,456
Other administrative expenses		411,271	662,523
Recruitment expenses		26,400	66,973
Direct office costs		570,471	533,087
IT costs		131,035	130,672
		2,529,538	5,266,708

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

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

8 Staff costs

	2017 £	2016 £
Staff costs	553,864	620,225
Social security costs	56,995	61,669
	610,859	681,894

The average number of persons employed by the Company during the year was 10 (2016: 13).

All key management personnel are directors of the Company.

9 Remuneration of directors

	2017 £	2016 £
Directors' emoluments	76,000	170,001
	76,000	170,001

The emoluments for the highest paid director during the year was £76,000 (2016: £108,220).

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2017
(Continued)

10 Auditor's remuneration

	2017 £	2016 £
Auditor's remuneration	19,159	12,000
<i>Amounts receivable by the Company's auditor and their associates in respect of other services:</i>		
Tax compliance services	-	6,000
	19,159	18,000

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

11 Taxation

	2017 £	2016 £ Restated
Recognised in the Statement of Comprehensive Income	-	288,380
Current tax:		
UK corporation tax at 20% (2015: 22.50%)	-	(24,782)
Adjustment in respect of prior periods	-	160,012
Total current tax	-	135,230
Deferred tax:		
Current year	87,496	
Origination and reversal of temporary difference	-	41,437
Effect of changes in tax rates	(10,213)	
Adjustment in respect of prior periods	32,083	68,141
Total deferred tax	109,366	109,578
Total tax charge/(credit)	109,366	244,808
Reconciliation of tax charge:		
Profit/(loss) on ordinary activities before tax	205,890	(211,354)
Tax on profit/(loss) on ordinary activities at standard corporation tax rate of 19.25% (2016: 20%)	39,627	(42,271)
Effects of:		
Adjustment in respect of prior years	32,083	228,153
Expenses not deductible	3,258	68,341
Income not taxable	49,330	
Tax rate changes	(10,213)	31,982
Effects of group relief/other relief	124,597	-
Surrender of tax losses for R&D tax credit refund	-	9,399
Additional deduction for R&D expenditure	(129,316)	(69,703)
Deferred tax not recognised	-	18,907
Total tax charge/(credit)	109,366	244,808

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2017
(Continued)

12 Property, plant and equipment

	Leasehold improvements £	Furniture, fixtures, fittings & equipment £	Computer equipment £	Total £
2017				
<i>Cost</i>				
At the beginning of the year	332,947	98,638	106,251	537,836
Additions	-	-	-	-
Disposals	-	(3,982)	(1,065)	(5,047)
At the end of the year	332,947	94,656	105,186	532,789
<i>Depreciation</i>				
At the beginning of the year	231,633	29,928	43,261	304,822
Depreciation charge for the year	35,216	19,462	20,809	75,487
Disposals	-	(1,939)	(426)	(2,365)
At the end of the year	266,849	47,451	63,644	377,944
<i>Net book value</i>				
At the end of the year	66,098	47,205	41,542	154,845
	Leasehold improvements £	Furniture, fixtures, fittings & equipment £	Computer equipment £	Total £
2016				
<i>Cost</i>				
At the beginning of the year	323,918	97,848	106,251	528,017
Additions	9,029	790	-	9,819
Disposals	-	-	-	-
At the end of the year	332,947	98,638	106,251	537,836
<i>Depreciation</i>				
At the beginning of the year	48,681	10,200	22,301	81,182
Depreciation charge for the year	182,952	19,728	20,960	223,640
Disposals	-	-	-	-
At the end of the year	231,633	29,928	43,261	304,822
<i>Net book value</i>				
At the end of the year	101,314	68,710	62,990	233,014

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2017
(Continued)

13 Intangible assets

	Website & brand development £	Total £
2017		
<i>Cost</i>		
At the beginning of the year	944,043	944,043
Additions	491,813	491,813
Disposals	-	-
At the end of the year	1,435,856	1,435,856
<i>Amortisation</i>		
At the beginning of the year	264,927	264,927
Additions	-	-
Amortised in the year	230,046	230,046
At the end of the year	494,973	494,973
<i>Net book value</i>		
At the end of the year	940,883	940,883
	Website & brand development £	Total £
2016		
<i>Cost</i>		
At the beginning of the year	531,601	531,601
Additions	412,442	412,442
Disposals	-	-
At the end of the year	944,043	944,043
<i>Amortisation</i>		
At the beginning of the year	112,521	112,521
Additions	-	-
Amortised in the year	152,406	152,406
At the end of the year	264,927	264,927
<i>Net book value</i>		
At the end of the year	679,116	679,116

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

14 Other assets

	£	£ Restated
Other receivables	525,703	972,122
Corporation tax	24,769	111,650
Deferred tax asset	450,407	559,774
Amounts owed by group undertakings	176	176
Director's loan	256	102
	1,001,311	1,643,824

15 Liabilities

	2017 £	2016 £ Restated
Trade payables	18,499	161,145
VAT	21,266	1,013,055
Accruals	285,072	250,251
Payroll taxes	15,647	14,574
Other payables	5,388	-
Amounts owed to group undertakings	1,907,880	5,920,925
	2,253,753	7,359,950

16 Share capital

	2017 £	2016 £
6,106,000 issued ordinary shares at £1 each	6,106,000	6,106,000
	6,106,000	6,106,000

At the year end, the Company had 6,106,000 authorised shares (2016: 6,106,000 authorised shares).

17 Commitments and contingent liabilities

At 31 December 2017, the Company had no commitments or contingent liabilities.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

18 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:

	2017 £	2016 £
Amounts falling due:		
Within one year	2,253,753	7,359,950
In the second to fifth year inclusive	-	-
After five years	-	-
	2,253,753	7,359,950

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.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements
For year ended 31 December 2017
(Continued)

18 Risk management (continued)

Operational and people risk

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

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

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

Capital risk

The Company's objective is to maintain a strong capital base to support its current operations in line with relevant forecasts. Capital base for these purposes comprises shareholders' equity less the website and brand development intangible asset less amounts owed to Company undertakings. The details are below:

	£	£ Restated
Share capital	6,106,000	6,106,000
Accumulated losses	(4,340,877)	(4,437,401)
Common equity capital	1,765,123	1,668,599

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

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

19 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:

	2017 £	2016 £
<i>Funded Peer to Peer Accounts</i>		
Opening balance	10	10
Advances	-	-
Repayments	-	-
Interest	-	-
	<u>10</u>	<u>10</u>

The maximum balance during the year was £10 (2016: £10)

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

19 Related party transactions (continued)

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

	2017 £	2016 £
<i>Wellesley Secured Funding Limited</i>		
Opening balance	-	28,146
Advances	-	5,000
Repayments	-	(33,146)
	-	-

The maximum balance during the year was £Nil (2016: £26,976)

	2017 £	2016 £
<i>Wellesley Lease Finance Limited</i>		
Opening balance	110	110
Advances	-	-
Repayments	-	-
	110	110

The maximum balance during the year was £110 (2016: £110)

	2017 £	2016 £
<i>Wellesley Group Limited</i>		
Opening balance	66	-
Advances	-	66
Repayments	-	-
	66	66

The maximum balance during the year was £66 (2016: £66)

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

	2017 £	2016 £ Restated
<i>Wellesley Finance Plc</i>		
Opening balance	5,140,208	551,887
Advances	67,481,466	5,848,138
Repayments	(74,539,035)	(6,691,217)
Management charge	3,034,613	5,431,400
	1,117,252	5,140,208

The maximum balance during the year was £21,770,953 (2016: £2,478,177)

	2017 £	2016 £
<i>Wellesley Group Investors Limited</i>		
Opening balance	780,717	726,025
Advances	16,617	129,750
Repayments	(6,706)	(75,058)
	790,628	780,717

The maximum balance during the year was £790,628 (2016: £780,717)

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

19 Related party transactions *(continued)*

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

20 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 Company Trust.

21 Events after the statement of financial position date

No other 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.

WELLESLEY & CO LIMITED

Notes forming part of the financial statements For year ended 31 December 2017 (Continued)

22 Prior period restatements

The prior period adjustment was as follows:

- 1 The Company had capitalised marketing promotional expenditure in 2015 and amortised over the life of the product raised in the promotion i.e. the costs of promotional expenditure in relation to raising an 18 month investment product is amortised over 18 months. There was an outstanding asset remaining at 31 December 2016 which should have been fully amortised.
- 2 In 2016 Wellesley Finance plc ("WF plc") general ledger included a bank account that, in reality, belonged to Wellesley & Co Limited ("W&Co Ltd"). The balance of £3.6m was reversed from *Cash and other equivalents* in WF plc and booked into intercompany with W&Co Ltd as the legal owner of such bank account. The corresponding entry, however, was not reflected in W&Co Ltd accounts. In W&Co Ltd both assets (i.e. *Cash and other equivalent*) and the liability (i.e. *Amount owed to group undertaking*) was understated.

	Note	Impact on Statement of profit and loss Year to 31 December 2016 £
(Increase) in advertising/marketing	1	(256,306)
Impact on profit for the year to 31 December 2016		(256,306)
	Note	Impact on Statement of Financial Position As at 31 December 2016 £
(Decrease) in other assets	1	(256,306)
(Increase) in amounts owed to group undertakings	2	(3,592,772)
Increase in cash and cash equivalent	2	3,592,772
Impact on equity at 31 December 2016		(256,306)