Registered number 133540

Welcome Financial Services Limited
Annual Report and Financial Statements
for the year ended 31 December 2013

Welcome Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2013

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Welcome Financial Services Limited

Directors and Advisers

Directors
P H Thompson
R D East
J M Briggs
J R Drummond Smith
R S Johnson

Company secretary
R C W Todd

Registered office
Mere Way
Ruddington Fields Business Park
Ruddington
Nottingham
NG11 6NZ

Registered in England
Registered number 133540

Independent Auditor
Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

Welcome Financial Services Limited

Strategic Report for the year ended 31 December 2013

Principal activities
The principal activity of Welcome Financial Services Limited (the Company or WFS) historically was the provision of consumer credit to non-standard customers In 2009, the Company significantly reduced its lending volumes and closed its car retail operation Since then, the Company's main focus has been on collecting out its loan book to realise value for its scheme creditors, although its Shopacheck home-collected credit business continued to lend to new and existing customers

Business review
Before scheme of arrangement adjustments, the Company reported a profit before tax of £19 0 million (2012 loss of £13 6 million) After scheme of arrangement adjustments, the Company made a loss in the year before tax of £28 5 million (2012 loss of £172 7 million)

The move to a profit before scheme of arrangement adjustments reported in 2013 from a loss in 2012 is driven largely by a reduction in other operating expenses The main contributory factor in this reduction is lower provision costs and movements in amounts forecast to be repaid by the Financial Services Compensation Scheme (FSCS) (see note 5) This reflects a reduction in the costs arising from past sales of payment protection insurance, following the contact programme that took place during 2011 Interest income has fallen by 9 3% in 2013, as the customer loan book has continued to be collected out and reduces in size and the loan loss charge has changed to a credit of £3 6 million (2012 charge of £5 5 million)

The balance sheet as at 31 December 2013 includes in Borrowings a Scheme liability of £233 5 million (2012 £283 6 million), representing the Company's liability to pay distributions to its Scheme Creditors as it collects out its customer loan book and realises the value of the Company's net assets This liability is measured at its discounted value, with the cash flow forecasts being reassessed at each balance sheet date The loss in 2013 after scheme of arrangement adjustments is as a result of the upwards revaluation of the Scheme liability of £47 5 million (2012 £159 1 million), as set out in note 7, largely as a result of higher forecast future distributions to the Company's Scheme Creditors

In line with the current medium-term plan, prepared during 2013, the Company will continue to investigate opportunities to sell parts of its customer loan book, where this provides better value to its Scheme Creditors than a continued collect out The effect of this is that a significant proportion of the Scheme liability is expected to be settled much earlier than was previously the case

The Company's balance sheet as at 31 December 2013 shows net assets of £91 0 million (2012 £119 5 million) These net assets will not benefit the Company's shareholders as they do not include future credit losses to be incurred on the customer loan book, future operating costs of the business and an unwinding of the discount on the Scheme liability and provisions All available realised net assets must be distributed to Scheme Creditors under the terms of the scheme of arrangement

During 2013, the Company comprised Welcome and Shopacheck During the year Welcome continued to collect out its customer loan book, with cash collections in 2013 of £150.3 million (2012 £202 0 million)

2013 has also seen Shopacheck continue to make good progress in developing its business for sale The sale of the Shopacheck business was completed on 10 March 2014, following approval for the sale by the WFS Creditors' Committee

In January 2014, the Company entered into an agreement with the FSCS in relation to Non PPI insurance products sold by Welcome since 14 January 2005 This involves Welcome making payments to the FSCS to cover the costs of any relevant claims The fund will be established from an initial payment of £3 million made in January 2014, certain proceeds from any future debt sales and any funds not used from the PPI fund Consistent with the PPI fund, any balance not eventually used will be repaid to WFS

The insurance provisions made at 31 December 2013, incorporate the Company's estimate of its costs in relation to potential Non PPI claims as well as PPI claims

Total customers' net loans and receivables were £320 2 million (2012 £409 2 million) The directors' current estimate of the fair value of the Company's loans and receivables is £312 9 million at 31 December 2013 (2012 £377 3 million), which is calculated by discounting the future expected gross cash flows from the loans and receivables at 20 4% per annum (2012 21 3%), being the effective interest rate of the loans and receivables Management regards this rate to be an appropriate current market rate to use for this type of asset, it being materially similar to the discount rate that a market participant could expect to apply.

Welcome Financial Services Limited

Strategic Report for the year ended 31 December 2013 (continued)

Schemes of arrangement of Cattles Group
As previously reported, on 2 March 2011 (Scheme Effective Date), Cattles Limited (Cattles), the Company's ultimate parent company until 2 March 2011, announced that its Group schemes of arrangement had become effective As part of the schemes, the Company entered into a Scheme of Arrangement (the WFS Scheme), a brief summary of which is set out below Further, there was agreement with the FSCS, which is also summarised below

During 2013, WFS has continued to make monthly distributions to WFS Scheme Creditors in accordance with the WFS Scheme In total, WFS paid distributions of £97 6 million to WFS Scheme Creditors during 2013 (2012 £140 9 million), taking the total distributions since Scheme Effective Date to £384 7 million

The WFS Scheme
The purpose of the WFS Scheme was to compromise the claims of certain creditors of the Company in order to achieve a better return on the claims of WFS Scheme Creditors than they would obtain on an administration of the Company A number of creditors were excluded from the WFS Scheme and continued to be paid in full outside of the WFS Scheme

In broad terms, the assets available for distribution to the WFS Scheme Creditors when the WFS Scheme became effective comprised

(a) the proceeds of future net cash collections of the Company's Welcome business, as well as any future sale of the remaining loan book,
(b) the realisable value of the Company's Shopacheck business,
(c) the proceeds of any successful Outward Claims that the Company may have, and
(d) any residual assets held by the Company at the end of the WFS Scheme,

less the costs of administering the WFS Scheme and realising the Company's assets, including any costs incurred in pursuing any Outward Claims

In certain circumstances the WFS Scheme is permitted to end early This is known as a Scheme Reversion There are a number of Scheme Reversion Decision Events, full details of which are set out in the WFS Scheme

If a Scheme Reversion Decision Event occurs, the Scheme Supervisors will call a meeting of WFS's Scheme Creditors to consider and decide whether to (i) take no action, (ii) agree any remedial proposals, or (iii) confirm that a Scheme Reversion should occur

On a Scheme Reversion, the WFS Scheme will come to an end and, subject to certain exceptions, the provisions of the WFS Scheme will cease to be binding on both WFS and the WFS Scheme Creditors

Payment Protection Insurance (PPI)
Under an agreement reached between the FSCS and the Company, the FSCS is paying PPI-related claims of eligible PPI Claimants arising on or after 14 January 2005, in return for certain payments totalling £90 million from the Company, which were made between March and May 2011 (which will be repaid to the Company to the extent that it is not used by the FSCS to pay compensation and costs) Under the terms of the PPI agreement, the Company must make 'top-up' payments to the FSCS in addition to the £90 million if the Company meets or exceeds a business plan 'Top-up' payments amounting to £24 4 million had been made by 31 December 2013 and a final top-up payment of £2 4 million was made in March 2014 As part of the agreement reached with the FSCS, during 2011 the Company contacted all customers it believes are eligible PPI claimants

In addition, pursuant to the terms of the WFS Scheme, the Company has established a trust for the purpose of meeting the cash redress costs of all valid claims anticipated to be made in respect of PPI sold prior to 14 January 2005 £20 million was paid in to the trust shortly before the Scheme Effective Date Additional top-up payments have since been made amounting to £8 8 million by 31 December 2013 Further payments of £0 8 million have been made in 2014

Welcome Financial Services Limited

Strategic Report for the year ended 31 December 2013 (continued)

Going concern basis
On 2 March 2011, Cattles announced that the scheme of arrangement to effect the restructuring of the Cattles Group had become effective Following the Scheme Effective Date, the Company now has to operate under the terms of the schemes As part of the restructuring discussions, the Company agreed a medium-term financial plan with its key financial creditors and each year has agreed an updated medium-term plan under the WFS Scheme, with its Creditors' Committee The schemes include a number of covenants, which are measured against these medium-term plans, some of which if breached may require a new financial plan, and potentially could lead to Scheme Reversion

The directors continue to believe the Company will not cease trading in the foreseeable future, as Welcome focuses on collecting out or selling its customers' loans

After making enquiries regarding the circumstances outlined above, the directors have concluded that based on its current medium-term plan, prepared during 2013, there is currently no reasonable expectation that the Company will not in the foreseeable future meet the covenants contained in the WFS Scheme However, the directors note that under the covenants in the WFS Scheme, prior approval by the Creditors' Committee is required in respect of the envisaged sale of parts of the Company's customer loan book and such debt sales are required to achieve the current medium-term-plan. The approval by the Creditors' Committee is to determine whether a strategy of debt sale or collect out is the preferred method of value realisation and if a debt sale does not achieve sufficient value, the Creditors' Committee will require the Company to revert to a collect out basis and a revised medium-term plan will be prepared Notwithstanding the above, the directors have a reasonable expectation that the Company can continue to pay its operational debts as they fall due for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern

Principal risks
One of the principal risks faced by the business is that of a breach of scheme covenants which, as described above, could lead to Scheme Reversion This risk is managed through close monitoring of actual and forecast covenants and a robust process for the preparation of the medium-term plan which is updated annually and approved by the Creditors' Committee

Another principal risk is regulatory risk This is the risk that the business does not effectively monitor and adhere to its current and emerging regulatory obligations and internal processes, resulting in non-compliance and potentially fines or other financial loss, censure and reputational impact In order to manage this risk, both existing and emerging regulations are monitored closely by the Company's compliance function, senior management and Board Regular risk reports are produced and, in addition, all employees are required to undertake relevant training, including conduct risk training

Key performance indicators
The key performance measures are summarised below

	2013	2012
Welcome cash collections (£m)	**150.3**	202 0
Distributions to WFS Scheme Creditors (£m)	**97.6**	140 9
Welcome loans and receivables neither past due nor impaired (£m)	**196.9**	267 0

J M Briggs
Director
3 June 2014

Registered number 133540

Welcome Financial Services Limited

Directors' Report for the year ended 31 December 2013

The directors present their Annual Report together with the audited financial statements of the Company for the year ended 31 December 2013

Directors
The directors of the Company who held office during the year and up to the date of signing the financial statements were

P H Thompson
R D East
J M Briggs
J R Drummond Smith
R S Johnson

Statement of Directors' responsibilities
The directors are responsible for preparing the Directors' Report and Strategic 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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) 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 and 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' indemnities
The Company has made qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) for the benefit of its directors, indemnifying them to the maximum extent permitted by law against liabilities attaching to them as directors of the Company and of its subsidiary, which remain in force at the date of this report The directors are also indemnified by the provisions made by Cattles

Dividends
The directors cannot recommend the payment of an ordinary dividend (2012 £nil) or dividends on any of the preference shares (2012 £nil), due to the terms of the scheme of arrangement

Employment policy
The Company gives sympathetic consideration to applications for employment from disabled persons wherever practicable Successful applicants and employees who become disabled are given appropriate assistance and training and have the same career and promotion prospects as other employees

Welcome Financial Services Limited

Directors' Report for the year ended 31 December 2013 (continued)

Employee involvement
The directors believe in encouraging the interest and involvement of employees by making them more aware of performance at both local and Company level Many employees are able to earn bonus payments based on cash collections and their individual performance

Financial risk management
Information about the use of financial instruments by the Company and its financial risk management policies is given in note 22 to the financial statements

Auditor
The directors confirm that

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant 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

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006

By order of the Board

R C W Todd
Company secretary
3 June 2014

Registered number 133540

Independent Auditor's Report to the members of Welcome Financial Services Limited

We have audited the financial statements of Welcome Financial Services Limited for the year ended 31 December 2013 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the balance sheet, the cash flow statement, statement of accounting policies and the related notes 1 to 24 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

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

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities 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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion 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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Grant Thornton UK LLP

Mark Cardiff
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
London, United Kingdom

3 June 2014

Welcome Financial Services Limited

Income Statement for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Interest income		**114,386**	126,170
Fee and related income		**3,367**	5,800
Revenue		**117,753**	131,970
Interest expense	2	**(1,311)**	(566)
Loan loss credit / (charge)	11	**3,640**	(5,459)
Staff costs	3	**(39,124)**	(44,177)
Other operating expenses	5	**(61,953)**	(95,406)
Scheme of arrangement adjustments – finance costs	7	**(7,656)**	(5,994)
Scheme of arrangement adjustments – other	7	**(39,847)**	(153,087)
Loss before taxation		**(28,498)**	(172,719)
Taxation	8	**-**	815
Loss for the year attributable to equity holders of the Company		**(28,498)**	(171,904)

Statement of Comprehensive Income for the year ended 31 December 2013

There were no items of other comprehensive income in either of the above years and therefore total comprehensive income for the year attributable to the equity holders of the Company amounted to a loss of £28,498,000 (2012 loss of £171,904,000)

Welcome Financial Services Limited

Statement of Changes in Equity for the year ended 31 December 2013

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2012	100,005	191,377	291,382
Comprehensive loss for the year	-	(171,904)	(171,904)
At 1 January 2013	100,005	19,473	119,478
Comprehensive loss for the year	-	(28,498)	(28,498)
At 31 December 2013	**100,005**	**(9,025)**	**90,980**

Welcome Financial Services Limited

Balance Sheet as at 31 December 2013

	Notes	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Intangible assets	9	**849**	985
Property, plant and equipment	10	**816**	1,595
Loans and receivables	11	**183,266**	238,565
Trade and other receivables	13	**8,576**	11,733
		193,507	252,878
Current assets			
Loans and receivables	11	**136,986**	172,550
Trade and other receivables	13	**14,874**	4,738
Cash and cash equivalents		**44,640**	40,901
		196,500	218,189
Total assets		**390,007**	471,067
LIABILITIES			
Current liabilities			
Borrowings	14	**202,292**	67,885
Trade and other payables	15	**14,947**	15,122
Deferred income		**235**	1,378
Provisions	16	**31,014**	23,389
		248,488	107,774
Non-current liabilities			
Borrowings	14	**31,287**	216,739
Preference shares	18	**1,135**	1,135
Trade and other payables	15	**653**	-
Deferred income		**209**	1,217
Provisions	16	**17,255**	24,724
		50,539	243,815
Total liabilities		**299,027**	351,589
Net assets		**90,980**	119,478
SHAREHOLDER'S EQUITY			
Share capital	18	**100,005**	100,005
Retained earnings		**(9,025)**	19,473
Total equity		**90,980**	119,478

The financial statements were approved by the Board of Directors on 3 June 2014 and signed on its behalf by

J M Briggs
Director

Registered number 133540

Welcome Financial Services Limited

Cash Flow Statement for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash inflow from operations	19	**100,139**	128,648
Cash flows from investing activities			
Receipt / (repayment) of former intra-group balances		**984**	(528)
Purchase of property, plant and equipment		**(47)**	(551)
Proceeds from sale of property, plant and equipment		**354**	428
Purchase of intangible assets		**(82)**	(606)
Net cash inflow / (outflow) from investing activities		**1,209**	(1,257)
Cash flows from financing activities			
Repayment of Scheme liability		**(97,609)**	(140,938)
Repayment of finance leases and hire purchase contracts		**-**	(1,787)
Net cash outflow from financing activities		**(97,609)**	(142,725)
Net increase / (decrease) in cash and cash equivalents		**3,739**	(15,334)
Cash and cash equivalents at 1 January		**40,901**	56,235
Cash and cash equivalents at 31 December		**44,640**	40,901
For the purposes of the cash flow statement, cash and cash equivalents comprise:			
Cash and bank balances		**44,640**	40,901

Welcome Financial Services Limited

Statement of accounting policies

General information
WFS is a company incorporated in the United Kingdom The address of the registered office is given on page 2 The nature of the Company's operations is set out in the Strategic Report

Statement of compliance
These financial statements have been prepared in accordance with EU endorsed IFRS and IFRIC interpretations issued by the International Accounting Standards Board effective for accounting periods commencing on or after 1 January 2013 These financial statements have also been prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS

Basis of preparation
The financial statements are prepared under the historical cost convention and are presented in Pounds Sterling, the Company's functional and presentational currency

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements

The Company's non-trading subsidiary, Shopacheck Financial Services Limited, is considered immaterial at 31 December 2012 and 31 December 2013 and so consolidated financial statements have not been prepared The subsidiary was sold on 10 March 2014 (note 24)

Going concern
On 2 March 2011, Cattles announced that the scheme of arrangement to effect the restructuring of the Cattles Group had become effective Following the Scheme Effective Date, the Company now has to operate under the terms of the schemes As part of the restructuring discussions, the Company agreed a medium-term financial plan with its key financial creditors and each year has agreed an updated medium-term plan under the WFS Scheme, with its Creditors' Committee The schemes include a number of covenants, which are measured against these medium-term plans, some of which if breached may require a new financial plan, and potentially could lead to Scheme Reversion

The directors continue to believe the Company will not cease trading in the foreseeable future, as Welcome focuses on collecting out or selling its customers' loans

After making enquiries regarding the circumstances outlined above, the directors have concluded that based on its current medium-term plan, prepared during 2013, there is currently no reasonable expectation that the Company will not in the foreseeable future meet the covenants contained in the WFS Scheme However, the directors note that under the covenants in the WFS Scheme, prior approval by the Creditors' Committee is required in respect of the envisaged sale of parts of the Company's customer loan book and such debt sales are required to achieve the current medium-term-plan The approval by the Creditors' Committee is to determine whether a strategy of debt sale or collect out is the preferred method of value realisation and if a debt sale does not achieve sufficient value, the Creditors' Committee will require the Company to revert to a collect out basis and a revised medium-term plan will be prepared Notwithstanding the above, the directors have a reasonable expectation that the Company can continue to pay its operational debts as they fall due for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern

Statement of accounting policies (continued)

Accounting developments

Standards and interpretations which have been adopted by the Company in 2013

The following standards and amendments to existing standards, which are relevant to the Company's operations, have been published and were mandatory for accounting periods beginning on or after 1 January 2013 or later periods, although the Company did not early adopt any of them Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements

- IAS 1 (amendment) 'Presentation of Financial Statements' (effective 1 July 2012) The amendment clarifies the presentation of items of other comprehensive income.
- IFRS 13 'Fair Value Measurement' (effective 1 January 2013) This standard establishes a single framework for measuring fair value
- IAS 19 (revised) 'Employee Benefits' (effective 1 January 2013) The amendments change the accounting for defined benefit plans and termination benefits
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013) These annual improvements include amendments to five accounting standards

Standards and interpretations in 2013 which have not been adopted

The following relevant standards and interpretations have been issued but are not effective for the year ended 31 December 2013

- IAS 27 (revised) 'Separate Financial Statements' (effective 1 January 2014)
- IAS 28 (revised) 'Investments in Associates and Joint Ventures' (effective 1 January 2014)
- IAS 32 (amendment) 'Financial Instruments Presentation' (effective 1 January 2014) The amendment clarifies the accounting treatment of offsetting financial assets and financial liabilities
- IFRS 9 'Financial Instruments' (no mandatory effective date)
- IAS 36 (amendments) 'Recoverable Amount Disclosures for Non-Financial Assets' (effective 1 January 2014)
- IAS 39 (amendments) 'Novation of Derivatives and Continuation of Hedge Accounting' (effective 1 January 2014

In all instances, the Board does not consider the above are likely to have any material impact on the Company's 31 December 2014 financial statements

Revenue recognition

Revenue comprises the fair value receivable for the interest, insurances and fees recognised on loans, net of any value-added tax, and is recognised as follows

a) Interest income

Interest income is recognised in the income statement for all financial assets measured at amortised cost using the effective interest method The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life, or contractual term if shorter, of the financial asset to the net carrying amount of the financial asset When calculating the EIR, the Company estimates cash flows considering all contractual terms of the financial instruments, such as early settlement options, but does not include an expectation for future credit losses The calculation includes all fees charged to customers, such as acceptance or similar fees, and direct and incremental transaction costs, such as broker commissions and, in the case of the Shopacheck business, certain agents' remuneration

Amounts due from lessees under finance leases and hire purchase contracts are recorded as receivables at the amount of the Company's net investment in the lease or contract Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment (before tax) outstanding in respect of the lease or contract

Revenue recognition (continued)

b) Fee and related income

The Company offered PPI and other insurance products, such as health, life and mechanical breakdown insurance, to its customers for which a commission was received from third party fronting insurers
Income from commission and profit share arrangements, in respect of PPI, is recognised on an effective interest method over the term of the policy The effective interest method reflects the provision of service under the policy, as the Company bears the insurance risk Commission received for brokering the sale of other insurance products, for which the Company does not bear any underlying insurance risk, is recognised and credited to the income statement when the brokerage service has been provided

Interest expense

Interest expense primarily comprises the unwinding of discounting on provisions

Financial assets

Financial assets are measured initially at fair value Management determines the classification of the Company's financial assets at initial recognition into one of the following categories, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss and re-evaluates this designation at each reporting date to the extent allowed

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the Company provides money directly to a customer with no intention of trading the receivable This classification includes advances made to customers under hire purchase agreements

Loans and receivables are recognised when cash is advanced to borrowers These assets are initially recognised at fair value plus direct and incremental transaction costs Loans and receivables are subsequently carried at amortised cost using the effective interest method

The Company has not held any held-to-maturity financial assets or financial assets at fair value through profit or loss at any point during the year

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all the risks and rewards of ownership

Impairment of loans and receivables

In respect of loans and receivables, including receivables under hire purchase contracts, the Company assesses on an on-going basis whether there is objective evidence that a loan asset or a group of loan assets is impaired A loan asset or a group of loan assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and the loss event will have an impact on the estimated future cash flows of the loan asset or group of loan assets and can be reliably estimated

For the purposes of evaluating the degree of impairment, loan assets are grouped on the basis of similar credit risk characteristics Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated Future cash flows for a group of loan assets are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the Company Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently

Statement of accounting policies (continued)

Impairment of loans and receivables (continued)
In Welcome, objective evidence of impairment occurs after a customer misses a full or a part contractual payment. Impairment is increased by reference to the level of contractual arrears on a customer account as follows

a) 120 days contractual arrears
At 120 days contractual arrears the relationship with the customer is judged to have broken down and loans are subject to an impairment charge on the basis of expected future cash flows All expected credit losses are deemed to be fully incurred at this point

b) Less than 120 days contractual arrears
Where accounts that are less than 120 days in arrears have missed the equivalent of one or more contractual payments they are subject to an impairment charge calculated on the basis of expected future cash flows excluding future credit losses The credit losses are deemed to be partially incurred at this point and are calculated based on a customer's propensity to default

c) Incurred but not reported (IBNR)
A provision is also made against accounts which are prepaid and up-to-date based on credit loss events that have occurred but which are not yet reported This is calculated based on the probability of default and the loss given default Future credit losses are not recognised

In Shopacheck, accounts are reviewed based upon cash collection performance over the most recent 13-week period Where the payment performance at each reporting date is fewer than 12 payments over the preceding 13 weeks, an impairment provision is made where future expected cash flows are lower than the carrying value of the loan

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the loan asset's original EIR The carrying amount of the asset is reduced through the use of a loan loss provision The amount of the loss is recognised in the income statement as a loan loss charge

Loans and receivables (and the related loan loss provision) are normally written off when there is no realistic prospect of recovery of these amounts

Renegotiated loans
Loans whose terms are contractually renegotiated and subject to a substantial modification in terms, are no longer regarded as past due or impaired and are disclosed as new loans, with the original loan being de-recognised The renegotiated loan is considered to be past due only if further performance issues arise, based on the new contractual terms

On initial recognition, renegotiated loans are recognised at their fair value

Collateral
Loans classified as secured loans relate to those loans on which a charge is applied to customers' property These charges typically comprise 2nd, 3rd or lesser charges on the customers' residential property and, as such, collateral does not represent a significant proportion of the loans' fair value Accordingly, Welcome does not maintain records of customers' property values and does not calculate a fair value of this collateral in respect of its secured loans, as it is deemed immaterial The collateral relating to hire purchase loans relate to second hand motor cars. Given the number of variables such as age, state and re-sale value of the vehicle, and relatively immaterial amounts recovered from hire purchase collateral, Welcome does not calculate the value of hire purchase collateral

Welcome Financial Services Limited

Statement of accounting policies (continued)

Staff costs

a) Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company Where the Company provides long-term employee benefits, such as senior management incentive plans, the cost is accrued to match the rendering of the services by the employees concerned Liabilities for long- term employee benefits are measured at the present value of the expected future cash outflows

b) Pension obligations

The Company is a member of the Cattles Group which operates a defined contribution pension plan The Company provides no other post-retirement benefits to its employees, including directors

The defined contribution pension plan is privately administered and the Company pays contributions on a contractual basis The contributions are recognised as a staff cost as they fall due

c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits The Company recognises termination benefits when it is demonstrably committed to either the termination of employment or a voluntary redundancy offer

Tax

The charge or credit for current tax is based on the taxable profit or loss for the year as adjusted for items which are non-assessable or disallowed, calculated using rates of tax applicable at the balance sheet date

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in hand and held with banks

Statement of accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation Cost represents expenditure that is directly attributable to the purchase of the asset Certain land and buildings are held at previous revalued amounts less subsequent accumulated depreciation, which were taken as their deemed cost at the date of transition to IFRS (1 January 2004) in accordance with the exemption under IFRS 1 'First-adoption of International Financial Reporting Standards'

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably

Land is not depreciated Depreciation on other assets is calculated using the straight line method to allocate the costs less their residual values over their estimated useful lives, as follows

Freehold buildings	2% p a
Leasehold buildings	2% to 20% p a
Fixtures and office equipment	10% to 20% p a
Computer hardware	Shorter of 20% to 33⅓% p a or the lease term
Motor vehicles	Shorter of 20% p a or the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date

Leasing – as lessee
Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases Assets held under finance leases or hire purchase contracts are capitalised on inception of the agreement at an amount equal to their fair value or, if lower, the present value of the minimum lease payments The interest element of the lease cost is charged to the income statement, within other operating expenses, over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period

Property, plant and equipment acquired under finance leases or hire purchase contracts are depreciated over the shorter of the period of the agreement and the estimated useful lives of the assets

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement, within other operating expenses or staff costs (in the case of company cars), on a straight line basis over the period of the lease

The obligations outstanding under finance leases and hire purchase contracts are included within other liabilities in the balance sheet

Leasing – as lessor
Where advances were made to customers under hire purchase agreements whereby the Company conveyed the right to use assets over a period of time in exchange for payment, the present value of the lease payment is recognised in loans and receivables Income is recognised over the term of the lease using the net investment method in interest income

Trade and other receivables
Trade and other receivables, which do not include loans and receivables to customers of the Company, are recognised initially at fair value and, subsequently, at amortised cost less provision for impairment

A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original EIR The amount of the loss is recognised in the income statement

Statement of accounting policies (continued)

Impairment
The carrying amounts of the Company's assets, other than loans and receivables and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated

The recoverable amount of the Company's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate Receivables with a short duration are not discounted Further details on the impairment policy in relation to the Company's loan portfolio are set out in the accounting policy Impairment of loans and receivables

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use

All impairment losses are recognised in the income statement

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised in prior years

Preference shares
The Company's preference shares are recognised as financial liabilities The dividends attached to these shares are non-discretionary and cumulative, and therefore give rise to a contractual obligation on the Company

Preference shares are initially recognised at fair value, the value of the consideration received less directly attributable transaction costs After initial recognition, preference shares are measured at amortised cost using the effective interest method The effective interest method takes into account the estimated future dividend payments over the expected life of the shares

Preference dividends are recognised as an interest expense in the period in which the dividend liability falls due

As a result of the scheme of arrangement, the Company is no longer forecast to be able to pay any future preference share dividends and, as such, the preference share debt has been revalued at its nominal value

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably measured

Further details of insurance provisions are set out in notes 1 and 16

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities Equity instruments issued by the Company are recorded at the proceeds received, net of transactions costs

Statement of accounting policies (continued)

Scheme liability
As part of the scheme of arrangement which became effective on 2 March 2011, the Company has recognised a liability to pay distributions to its Scheme creditors This Scheme liability is measured at its discounted value, with the cash flow forecasts being reassessed at each balance sheet date and discounted at the original effective rate, and its maturity is determined based on the expected net cash generation within one year

Further details of the Scheme liability are set out in notes 1 and 14

Financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payments through the effective life of the financial liability, or, where appropriate, a shorter period

Investments in subsidiaries
Until 10 March 2014, the Company owned the whole of the ordinary share capital issued by Shopacheck Financial Services Limited, which is incorporated in England and Wales and had a carrying value of £1 at 31 December 2012 and 31 December 2013 Shopacheck Financial Services Limited was dormant throughout 2012 and 2013

The investment in a subsidiary was initially recognised at cost At each reporting date, an assessment is made as to whether there is any indication that the investment may be impaired If such an indication exists, the Company estimates the investment's recoverable amount The investment is written down to the recoverable amount if this is lower than its carrying value Any impairment loss is recognised in the income statement

The subsidiary was considered immaterial at 31 December 2012 and 31 December 2013 and so consolidated financial statements have not been prepared

1 Key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

The following are the critical sources of estimation and judgement that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements

Key source of judgement
Loan loss provisioning
Impairment losses are calculated in circumstances where a loss event, an impairment trigger, is deemed to have occurred, as described in the statement of accounting policies The determination of impairment triggers has been reviewed and remains a key area of management judgement

Presentation of the Shopacheck division
On 9 March 2014, the trade and assets of the Shopacheck division of the Company were sold to Shopacheck Financial Services Limited On 10 March 2014, the entire share capital of Shopacheck Financial Services Limited was sold to a third party, Perpignon Limited In these financial statements, the Shopacheck division has not been classified as held for sale since, at the balance sheet date of 31 December 2013, a sale could not be considered as highly probable and did not have Creditors' Committee approval As a consequence, the Shopacheck division has been reported as part of the Company's continuing operations The results of Shopacheck will be restated as 'discontinued' in the 2014 financial statements

Key estimates
Loan loss provisioning
In assessing future cash flows for the purposes of assessing impairment, management uses historical data from portfolios of similar loans The assessment of the applicable range of data to include in the impairment calculation is a key estimate

The degree to which the calculated impairment is deemed to be incurred for each delinquency band is also a key estimate

- **Incurred losses**

Where there is objective evidence of impairment, losses should be calculated on the basis of the present value of future expected cash flows, not including the effects of future credit losses. The degree to which a loss is incurred is a matter of judgement

Impairment losses are only considered to be fully incurred when an account has reached the 120 day arrears band For accounts which are past due in the arrears bands 1-29 days, 30-59 days, 60-89 days and 90-119 days, a proportion of the full expected loss is recognised, using a percentage of the full expected loss, reflecting only those credit loss events incurred within those respective bands

If the percentages applied are removed from the 1-29 days, 30-59 days, 60-89 days and 90-119 days bands and the full expected loss is recognised, then based on management's assumptions, the provision would increase by £4 6 million (2012 £8 9 million) If the losses were only deemed incurred at the 120 day arrears band, then the provision would reduce by £14 4 million (2012 £18 1 million)

For accounts which are up-to-date or prepaid, an IBNR provision is calculated based on management's estimates of the propensity of these accounts to roll through to the 120 days arrears band, where credit losses are deemed to be fully incurred

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Key sources of estimation uncertainty (continued)

Key estimates (continued)
Loan loss provisioning (continued)

- **Historical data**

The loan book in Welcome is collectively evaluated for impairment Impairment is assessed on the basis of future cash flows based on the historical performance of assets with similar risk characteristics

Historical loan performance data has been used which tracks the subsequent cash performance, based on representative historic data The historical data is reviewed for applicability to the current period

A 10% increase or decrease in actual cash collected against that predicted by historical data would result in a change in loan loss provision of £9 2 million (2012 £10 0 million)

Fair value
Fair value of loans and receivables has been calculated by discounting future expected gross cash flows from the loans and receivables at the effective interest rate of the loans and receivables Both the future cash flows and the discount rate contain significant estimates A five percentage point increase in the discount rate would reduce the fair value by £23 8 million (2012 £29 9 million).

Provisions
The Company has recognised provisions in relation to potential future costs arising as a result of past sales of insurance products, primarily PPI, further details of which are set out in note 16 The calculation of the provisions contains significant judgement and estimates and was determined by reference to an informed estimate made by the Company as to the likely amount that would be needed to meet such claims That estimate took account of the number of policies sold by the Company, claims received and paid to date, an estimate of the number of claims which may be made in the future and, if made, be valid, and the average cost of redress A change in the average cost of PPI redress of +/- 10% would change the required provision by £3 2 million (2012 £4 6 million)

Scheme liability
As part of the scheme of arrangement which became effective on 2 March 2011, the Company has recognised a liability to pay distributions to its Scheme creditors This Scheme liability is dependent on the amount of net cash generated by WFS and is calculated based on risk weighted forecast net cash flows and is measured at its discounted value

A key determinant of the forecast net cash flows is Welcome's performance in collecting cash from its loan book A change of +/- 10% in Welcome's net cash flows over the forecast period would change the carrying value of the Scheme liability by £22 0 million (2012 £21 6 million) To date, since Scheme Effective Date, Welcome's cumulative net cash flows have exceeded forecasts, although there can be no certainty that this outperformance will continue in the future A change of +/- 1% in the discount rate applied to the forecast net cash flows would change the carrying value of the Scheme liability by -£2 1 million (2012 -£7 4 million) / +£2 1 million (2012 +£7 7 million)

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Interest expense

	2013 £'000	2012 £'000
Bank interest	**(142)**	(324)
Unwinding of discounting on provisions	**1,200**	800
Other interest	**253**	90
	1,311	566

3 Staff costs

	2013 £'000	2012 £'000
Wages and salaries	**32,351**	36,186
Social security costs	**3,687**	4,151
Pension costs - defined contribution pension schemes (note 20)	**472**	492
Other employee benefits	**2,614**	3,348
Total staff costs	**39,124**	44,177

Staff costs include a cost for employee termination benefits of £2 9 million (2012 £3.0 million) Other employee benefits principally comprise the cost of providing company cars, health insurance and life assurance cover

The average monthly number of persons employed by the Company (including directors) during the year was as follows

	2013 Number	2012 Number
Welcome	**484**	655
Shopacheck	**468**	504
	952	1,159

4 Directors' emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	2,463	1,320
Contributions to defined contribution pension schemes	28	28
	2,491	1,348

The number of directors to whom retirement benefits are accruing under pension schemes is

	Number	Number
Under defined contribution scheme	1	1

The emoluments of the highest paid director were

	£'000	£'000
Aggregate emoluments	1,461	671

Key management compensation, paid by the Company, amounted to £5 0 million (2012 £3 5 million) These amounts consist of short-term employee benefits of £3 8 million (2012 £3 5 million) and other long-term benefits of £1 2 million (2012 £nil)

5 Other operating expenses

	2013 £'000	2012 £'000
Administrative expenses	18,419	17,790
Occupancy costs	6,221	6,281
Agents' commission	11,587	11,069
Advertising costs	1,190	1,066
Collection costs	5,043	7,828
Motor and travel expenses	442	282
Depreciation and amortisation costs	719	671
Provisions costs	9,360	17,056
Movements in amounts forecast to be repaid by the FSCS	(1,953)	21,787
VAT costs	5,576	6,841
Other	5,349	4,735
	61,953	95,406

Other includes hire purchase interest expense of £nil (2012 £0 1 million)

6 Auditor's remuneration

The analysis of Auditor's remuneration is as follows

	2013 £'000	2012 £'000
Audit Services		
Grant Thornton UK LLP	**305**	299

No remuneration was paid to Grant Thornton UK LLP in the year that related to non-audit services (2012 £nil)

7 Scheme of arrangement adjustments

Adjustments arising as a result of the scheme of arrangement which became effective on 2 March 2011, relate to the following

	2013 £'000	2012 £'000
Finance costs – unwinding of discounting of Scheme liability	**7,656**	5,994
Other adjustments – increase in expected Scheme liability	**39,847**	153,087
	47,503	159,081

On 2 March 2011, the Company recognised a liability to pay distributions to its Scheme creditors If revisions are required to the estimates of either the amount or timing of future cash flows, the carrying amount of the financial liability is adjusted The carrying amount is calculated by determining the present value of the revised estimated future cash flows at the financial instrument's original effective interest rate The adjustment to the carrying amount is recognised as either finance income or finance expense in profit and loss

8 Taxation

Analysis of credit in the year:	2013 £'000	2012 £'000
Current tax		
UK corporation tax at 23 25 % (2012 24 5%)	-	(967)
Adjustments in respect of previous years	-	152
Total tax credit in the income statement	-	(815)

The rate of tax for the year is 23 25% (2012 24 5%) and represents a blended tax rate following the reduction in the rate of corporation tax from 24% to 23% which was effective from 1 April 2013

The tax credit for the year is lower (2012 lower) than the tax credit (2012 credit) on ordinary activities at the standard rate for the reasons set out in the following reconciliation

	2013 £'000	2012 £'000
Loss before taxation	**(28,498)**	(172,719)
Tax on loss on ordinary activities at 23 25% (2012 24 5%)	**(6,625)**	(42,311)
Factors affecting the credit for the year		
Expenses not deductible for tax purposes	**11,197**	39,019
Effect of group relief surrendered for less than standard rate of corporation tax	-	967
Movement in unprovided deferred tax	**(4,572)**	1,358
Adjustments to tax credit in respect of previous years	-	152
Total tax credit for the year	-	(815)

9 Intangible assets

Computer software	Acquired licences £'000	Internally generated software £'000	Total £'000
Cost			
At 1 January 2012	20,725	61,437	82,162
Additions	-	606	606
Written off	(4,335)	(6,871)	(11,206)
At 1 January 2013	16,390	55,172	71,562
Additions	-	82	82
Written off	(849)	(2,139)	(2,988)
At 31 December 2013	**15,541**	**53,115**	**68,656**
Accumulated amortisation			
At 1 January 2012	20,457	61,042	81,499
Charge for the year	12	272	284
Written off	(4,335)	(6,871)	(11,206)
At 1 January 2013	16,134	54,443	70,577
Charge for the year	8	210	218
Written off	(849)	(2,139)	(2,988)
At 31 December 2013	**15,293**	**52,514**	**67,807**
Net book amount			
At 31 December 2013	**248**	**601**	**849**
At 31 December 2012	256	729	985
At 1 January 2012	268	395	663

The internally generated computer software principally relates to the cost of developing Welcome's customer relationship management and back-office lending systems Following an impairment review as at 31 December 2008 the carrying value of these assets was written down to £nil at that date

Internally generated software additions during 2013 of £0 1 million (2012 £0 6 million) represent the value of assets under construction Amortisation of this asset will commence upon completion

The net present value of the Company's acquired assets comprises their value in use, calculated as their historic cost less amortisation and impairment as appropriate

Notes to the financial statements for the year ended 31 December 2013 (continued)

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2012	1,084	8,800	49,123	63	59,070
Additions	-	-	551	-	551
Disposals	(406)	(7,457)	(15,522)	(63)	(23,448)
At 1 January 2013	678	1,343	34,152	-	36,173
Additions	-	-	47	-	47
Disposals	(400)	(789)	(2,395)	-	(3,584)
At 31 December 2013	**278**	**554**	**31,804**	**-**	**32,636**
Accumulated depreciation					
At 1 January 2012	191	8,723	48,290	49	57,253
Charge for the year	14	13	358	2	387
Disposals	(79)	(7,413)	(15,519)	(51)	(23,062)
At 1 January 2013	126	1,323	33,129	-	34,578
Charge for the year	8	10	483	-	501
Disposals	(75)	(789)	(2,395)	-	(3,259)
At 31 December 2013	**59**	**544**	**31,217**	**-**	**31,820**
Net book amount					
At 31 December 2013	**219**	**10**	**587**	**-**	**816**
At 31 December 2012	552	20	1,023	-	1,595
At 1 January 2012	893	77	833	14	1,817

The net book value of motor vehicles includes an amount of £nil (2012 £nil) in respect of assets held by the Company under finance leases and hire purchase contracts Included within the depreciation charge is £nil (2012 £nil) in respect of assets held under finance leases and hire purchase contracts

Depreciation has been charged to the Company's income statement through other operating expenses

11 Loans and receivables

	2013 £'000	2012 £'000
Loans and receivables	**320,239**	409,179
Intra-group receivables	**13**	1,936
	320,252	411,115
Comprising		
Non-current assets	**183,266**	238,565
Current assets	**136,986**	172,550
	320,252	411,115

Credit risk
Credit risk in relation to loans and receivables is the risk that financial loss arises from the failure of a customer to meet its obligations under a loan agreement A description of the Company's objectives, policies and procedures for managing credit risk are set out in note 22, Financial risk management

Maximum exposure to credit risk
The maximum exposure to credit risk of the Company's loans and receivables is set out in the table below

	2013 £'000	2012 £'000
Welcome	**257,528**	345,407
Shopacheck	**62,711**	63,772
	320,239	409,179

The estimated fair value of loans and receivables at 31 December 2013 is £312 9 million (2012 £377 3 million) Fair value at 31 December 2013 has been calculated by discounting the future expected gross cash flows from the loans and receivables of £484 8 million, which take account of future expected credit losses in addition to incurred losses, at 20 4% per annum (2012 21 3%), being the effective interest rate of the loans and receivables Management regards this rate to be an appropriate current market rate to use for this type of asset, it being materially similar to the discount rate that a market participant could expect to apply

The loans and receivables would be categorised within the fair value hierarchy as a Level 3 value

Credit quality
A summary of the arrears status of loans and receivables by class is shown below as at 31 December 2013 and 2012

2013	Welcome £'000	Shopacheck £'000	Total £'000
Neither past due nor impaired	196,922	41,720	**238,642**
Past due and impaired	484,671	91,085	**575,756**
Outstanding customer balance	681,593	132,805	**814,398**
Unamortised fees and costs and accrued interest	1,756	(28,070)	**(26,314)**
Gross loans and receivables	683,349	104,735	**788,084**
Loan loss provision	(425,821)	(42,024)	**(467,845)**
Total loans and receivables	257,528	62,711	**320,239**

11 Loans and receivables (continued)

Credit quality (continued)

2012	Welcome £'000	Shopacheck £'000	Total £'000
Neither past due nor impaired	266,969	38,742	305,711
Past due and impaired	639,789	92,668	732,457
Outstanding customer balance	906,758	131,410	1,038,168
Unamortised fees and costs and accrued interest	1,939	(29,029)	(27,090)
Gross loans and receivables	908,697	102,381	1,011,078
Loan loss provision	(563,290)	(38,609)	(601,899)
Total loans and receivables	345,407	63,772	409,179

Based upon historical information on customer default rates, management considers the credit quality of loans and receivables that are neither past due nor impaired to be satisfactory

Past due and impaired balances relate to loans which are contractually overdue However, Welcome's contractually overdue loans are not impaired to their full expected loss unless the customer is 120 days in contractual arrears

The credit quality of financial assets that are neither past due nor impaired are reflective of those loans typically made within the non-standard or sub-prime market, which is Welcome and Shopacheck's key focus

Loans and receivables – past due and impaired	**Welcome**	
	2013 £'000	2012 £'000
Past due up to 29 days	**20,804**	33,934
Past due 30-59 days	**15,219**	23,750
Past due 60-89 days	**12,726**	19,077
Past due 90-119 days	**10,029**	16,758
Past due 120 days or more	**425,893**	546,270
	484,671	639,789

The credit quality analysis includes loans and receivables that would have been past due or impaired had their terms not been renegotiated These loans totalled £54 2 million and £1 0 million (2012 £77 8 million and £1 7 million) in respect of Welcome and Shopacheck respectively

Shopacheck receivables of £91 1 million (2012 £92 7 million) which are classified as past due and impaired have not been analysed into past due bandings since the collection performance of this type of loan is not managed with reference to the extent of any contractual arrears arising during the entire period of the loan since its inception Instead, performance is managed, and the need for any loan loss provision is considered, with reference to the value of contractual payments received in only the preceding 13-week period This approach prohibits any meaningful disclosure of the ageing of the debt by reference to its contractual past due status

11 Loans and receivables (continued)

Collateral

The Company holds collateral in relation to certain loans and receivables, further details of which are provided below

Loans and receivables – security type, gross of loan loss charges

2013	Welcome £'000	Shopacheck £'000	Total £'000
Secured	542,403	-	**542,403**
Unsecured	99,792	132,805	**232,597**
Hire purchase	39,398	-	**39,398**
	681,593	**132,805**	**814,398**

2012			
Secured	634,811	-	634,811
Unsecured	187,332	131,410	318,742
Hire purchase	84,615	-	84,615
	906,758	131,410	1,038,168

Secured loans

Secured loans have 2nd, 3rd or lower charges on the customers' property However, secured loans are not underwritten based on available property equity, but on the customer's ability to afford the loan repayments, with the emphasis placed on assessing and verifying the customer's incomings and outgoings

Hire purchase

Hire purchase loans are advanced to customers for the purchase of used motor vehicles Welcome retains security over the vehicle underlying the hire purchase agreement The terms of the hire purchase contract allow the customer to voluntarily terminate and allow the Company to repossess the vehicle, both subject to meeting certain criteria

A customer may voluntarily terminate the hire purchase contract provided they have paid at least 50% of the contract and have not received a notice of default In this instance, the vehicle is returned to the Company and disposed of, with the proceeds offset against the customer's outstanding balance Any remaining balance is written off

Legally, the Company may repossess a vehicle financed on a hire purchase contract, provided the customer has paid less than one third of the contract and a notice of default has been issued The Company endeavours to negotiate arrangements with the customer to avoid the need for repossession Vehicles that are repossessed are promptly disposed of at auction and the proceeds offset against the customer's outstanding balance The customer is liable for any remaining balance

Maturity profile of hire purchase receivables

The Company's gross investment in hire purchase receivables is analysed in the table below

	Present value 2013 £'000	**Gross carrying value 2013 £'000**	Present value 2012 £'000	Gross carrying value 2012 £'000
Within one year	**12,074**	**12,203**	29,007	29,087
One to five years	**23,428**	**27,195**	40,431	46,631
Over five years	-	-	6,594	8,897
	35,502	**39,398**	76,032	84,615
Unearned future finance income	-	**(3,896)**	-	(8,583)
Loan loss provision	**(32,219)**	**(32,219)**	(62,283)	(62,283)
Present value of future lease payments	**3,283**	**3,283**	13,749	13,749

11 Loans and receivables (continued)

Collateral

The collateral relating to secured loans detailed above comprises 2nd, 3rd or lesser charges on the borrowers' property, and hire purchase loans mainly comprising motor vehicles Welcome does not consider this collateral to have a material value and, accordingly, does not maintain records of the customers' property values and as such it is impracticable to calculate a fair value of this collateral or value the collateral recovered in respect of its secured loans During the year, no collateral on secured loans was recovered (2012 £nil) Similarly, the value of hire purchase collateral is deemed immaterial and, accordingly, no fair value is disclosed During 2013, £0 3 million (2012 £0 9 million) of hire purchase collateral was recovered

Loan loss provision

The following tables provide an analysis of the movement in the Company's loan loss provision during 2013 and 2012

2013	**Welcome £'000**	**Shopacheck £'000**	**Total £'000**
At 1 January 2013	563,290	38,609	601,899
Utilised	(121,503)	(19,188)	(140,691)
Recoveries of amounts previously written off	9,455	822	10,277
Charged to the income statement			
Provisions (released) / created	(15,966)	22,603	6,637
Recoveries of amounts previously written off	(9,455)	(822)	(10,277)
Total loan loss (credit) / charge	(25,421)	21,781	(3,640)
Loan loss provision at 31 December 2013	**425,821**	**42,024**	**467,845**

Recoveries of amounts previously written off in Welcome includes a profit of £4 1 million on the sale of debt during the year ended 31 December 2013 (2012 £2 6 million)

2012	Welcome £'000	Shopacheck £'000	Total £'000
At 1 January 2012	886,570	48,883	935,453
Utilised	(314,590)	(29,210)	(343,800)
Recoveries of amounts previously written off	2,984	1,803	4,787
Charged to the income statement			
Provisions (released) / created	(8,690)	18,936	10,246
Recoveries of amounts previously written off	(2,984)	(1,803)	(4,787)
Total loan loss (credit) / charge	(11,674)	17,133	5,459
Loan loss provision at 31 December 2012	563,290	38,609	601,899

Interest received in 2012 in relation to Shopacheck has been reduced by £12 4 million, together with a corresponding reduction in the loan loss charge, to correct an overstatement of both amounts As the correction of the error is an income statement reclassification, and does not affect any items included in the balance sheet, no third balance sheet has, therefore, been presented

Notes to the financial statements for the year ended 31 December 2013 (continued)

12 Deferred tax assets

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2012: 23%)

The Company has not recognised a deferred tax asset on losses and other timing differences of £1,362 7 million (2012 £1,382 4 million) in the financial statements, as it is not considered probable that future taxable profits will be available against which this asset can be utilised These losses and other timing differences would have resulted in a deferred tax asset of £272 5 million (2012 £317 9 million)

13 Trade and other receivables

	2013 £'000	2012 £'000
Non-current		
Other receivables	**8,576**	11,733
Current		
Trade receivables	**418**	1,296
Other receivables	**12,398**	666
Prepayments and accrued income	**2,058**	2,776
	14,874	4,738
Total trade and other receivables	**23,450**	16,471

Analysis of the arrears status of the Company's trade receivables, prepayments and accrued income has not been presented as the amounts concerned are not material Trade and other receivables have been reviewed for indicators of impairment, none of which were found to be impaired The Company's other receivables at 31 December 2013 and 2012 are considered neither past due nor impaired

Current and non-current other receivables at 31 December 2013 include £12 3 million (2012 £nil) and £7 5 million (2012 £10 8 million), respectively, of payments made to the FSCS that the Company forecasts will not be used by the FSCS to pay compensation and costs and are therefore forecast to be repaid to the Company, with the majority likely to be repaid during 2014 and 2015 Further details of the arrangements with the FSCS are set out in the Strategic Report on page 4

The Company has no renegotiated trade and other receivables and does not hold any collateral in respect of its trade and other receivables

14 Borrowings

	2013 £'000	2012 £'000
Current		
Scheme liability	**202,250**	66,904
Intra-group borrowings	**42**	981
	202,292	67,885
Non-current		
Scheme liability	**31,287**	216,739
Total borrowings	**233,579**	284,624

On 2 March 2011, the Company recognised a liability to pay distributions to its Scheme creditors The Scheme liability is measured at its discounted value, with the cash flow forecasts being reassessed at each balance sheet date, and its maturity is determined based on the expected next cash generation within one year

At 31 December 2013, the remaining intra-group borrowings are repayable on demand

15 Trade and other payables

	2013 £'000	2012 £'000
Current		
Trade payables	**1,524**	2,078
Other taxes and social security	**1,864**	2,645
Other payables	**430**	861
Accruals	**11,129**	9,538
	14,947	15,122
Non-current		
Accruals	**653**	-
Total	**15,600**	15,122

All trade payables have a maturity of within one month

Accruals due in greater than one year represent amount due to employees under long-term incentive plans, as disclosed below

	2013 £'000	2012 £'000
At 1 January	**-**	-
Charged to Income Statement	**653**	-
At 31 December	**653**	-

Notes to the financial statements for the year ended 31 December 2013 (continued)

16 Provisions

	2013 £'000	2012 £'000
Current		
Property provisions	**1,088**	1,627
Insurance and other customer redress provisions	**29,926**	21,762
	31,014	23,389
Non-current		
Property provisions	**222**	400
Insurance and other customer redress provisions	**17,033**	24,324
	17,255	24,724
Total provisions	**48,269**	48,113

Property provisions relate to the estimated future cost of rectifying dilapidations for the leasehold properties occupied by the Company and the future expected lease rent costs of properties which are not in use by the Company The provision is expected to be utilised within around three years from the balance sheet date The movement in the provision is as follows

	2013 £'000	2012 £'000
At 1 January	**2,027**	3,672
Utilised	**(809)**	(1,888)
Provisions made	**607**	430
Unused amounts reversed	**(515)**	(187)
At 31 December	**1,310**	2,027

Insurance and other customer redress provisions relate to the estimation of the Company's potential future costs arising as a result of past sales of insurance and other regulatory redress (see below for further details) The movement in the provision is as follows

	2013 £'000	2012 £'000
At 1 January	**46,086**	38,600
Utilised	**(8,395)**	(9,327)
Provisions made	**8,068**	16,013
Movement in discounting	**1,200**	800
At 31 December	**46,959**	46,086

In 2009 and prior, Welcome sold a number of insurance products, including PPI, to a substantial number of its customers Like other companies that sold such products, Welcome has received a significant number of complaints, and has, prior to the scheme of arrangement, dealt with these complaints in the ordinary course of its business

As part of the scheme of arrangement, the Company entered into an agreement with the FSCS whereby, upon the WFS Scheme becoming effective, the Company made payments to the FSCS for the compensation of eligible PPI claimants (arising on or after 14 January 2005) and the FSCS would, from that point forward, pay eligible claimants in accordance with the FCA's (formerly the FSA's) COMP rules As part of the agreement reached with the FSCS, during 2011 the Company contacted all customers it believed were eligible PPI claimants

16 Provisions (continued)

The arrangement with the FSCS involves certain payments totalling £90 million being made to the FSCS, subject to certain adjustments These payments were made by the Company between March and May 2011 Under the terms of the PPI agreement with the FSCS, the Company must make top-up payments to the FSCS in addition to the £90 million if the Company meets or exceeds its business plan The first such top-up payment, amounting to £7 2 million, was paid in September 2011 Further top-up payments have since been made amounting to £5 4 million in March 2012, £4 7 million in September 2012, £3 4 million in March 2013, £3 7 million in September 2013 and a final top-up payment of £2 4 million in March 2014

Save for an amount of up to £2 million, any amount of the payments to the FSCS not used to pay compensation and costs associated with paying compensation (in respect of either PPI or Non PPI) will be repaid to the Company during a period of between approximately three years and seven years and three months from the first day of the month following the Scheme Effective Date The actual amount to be repaid will depend on a number of factors, including the number and value of claims that are made As at 31 December 2013, the financial statements include £19 8 million (2012 £10 8 million) in respect of the discounted amount forecast to be repaid by the FSCS in relation to PPI This balance is included within trade and other receivables, further details of which are set out in note 13

The FSCS covers claims in respect of PPI sold since 14 January 2005 and, as part of the agreement entered into by the Company with the FSCS, all potential claimants were contacted during 2011 and any claims are being administered by the FSCS

In January 2014 the Company also entered into an agreement with the FSCS to cover Non PPI insurance products sold by Welcome since 14 January 2005 This involves Welcome making payments to the FSCS to cover the costs of any relevant claims This fund will be established from an initial payment of £3 million made in January 2014, certain proceeds from any future debt sales and any funds not used from the PPI fund Consistent with the PPI fund, any balance not eventually used will be repaid to Welcome

The insurance provisions made at 31 December 2013, incorporate the Company's estimate of its costs in relation to potential Non PPI claims as well as PPI claims

The FSCS does not cover claims in respect of PPI sold prior to 14 January 2005, any liability relating to such claims is referred to as an 'Unprotected PPI Liability' in the WFS Scheme Therefore, pursuant to the terms of the WFS Scheme, the Company has established a trust for the purpose of meeting any claims in respect of Unprotected PPI Liabilities It is intended that liabilities relating to all such claims, if they are valid, be discharged in full The amount held in trust was initially £20 0 million, but could be increased to £22 5 million if agreed by the Scheme Supervisor or such higher amount as may be agreed with the Creditors' Committee under the terms of the WFS Scheme Any balance that reverts to the Company will be distributed subject to the terms of the WFS Scheme

The initial amount of £20 0 million held on trust for the purpose of meeting claims in respect of PPI sold prior to 14 January 2005 was determined by reference to an informed estimate made by the Company as to the likely amount that would be needed to meet such claims That estimate took account of the number of PPI policies sold by Welcome prior to 14 January 2005, claims received to date, an estimate of the number of claims which may be made in the future and, if made, be valid, and the average cost of redress to PPI purchasers with valid claims within the relevant pool of PPI purchasers

In November 2011, the Creditors' Committee agreed, based on forecasts prepared in 2011 up to 31 December 2014, to increase the amount held on trust up to a cap of £32 0 million, with any such top-up payments being made quarterly, based on an agreed adjustment mechanism to cover the next two quarters' requirement

In November 2012, the Creditors' Committee agreed, based on forecasts prepared in 2012 up to 31 December 2015, to further increase the amount held on trust up to a cap of £42 3 million, with any such top-up payments still being made quarterly, based on an agreed adjustment mechanism to cover the next two quarters' requirement

16 Provisions (continued)

In November 2013, the Creditors' Committee agreed, based on forecasts prepared in 2013 up to 31 December 2016, to further increase the amount held on trust up to a cap of £49 0 million, with any such top-up payments still being made quarterly, based on an agreed adjustment mechanism to cover the next two quarters' requirement

A top-up payment of £0 5 million was made in August 2012, with a further £4 9 million being paid in January 2013, £1 4 million in April 2013, £1 6 million in July 2013, £0 4 million in October 2013 and £0 8 million in January 2014

Current forecasts of future cash redress in respect of PPI sold prior to 14 January 2005, included within the PPI provision, are £18 7 million (2012 £27 0 million) In addition, cash redress of £6 8 million (2012 £9 2 million) was paid in 2013 This gives a total forecast cash redress of £44 3 million (2012 £45 8 million), which is within the revised cap of £49 0 million agreed in November 2013

The additional provisions created in 2013 of £8 0 million (2012 £16 0 million) principally relate to the remediation of customer loan documentation issues and the re-assessment of the Company's costs, including the cost of redress, in respect of past sales of insurance

Details of the key sources of estimation, uncertainty and judgement in relation to the provision are set out in note 1

17 Financial instruments

The Company holds no derivatives and has not identified any embedded derivatives, which require separate accounting for in accordance with IAS 39 'Financial instruments Recognition & measurement'

The following tables set out the carrying value of the Company's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39 Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets / liabilities

2013	Loans and receivables £'000	Available for sale financial assets £'000	Financial liabilities - other £'000	Non-financial assets / liabilities £'000	Total £'000
ASSETS					
Non-current assets					
Intangible assets	-	-	-	849	849
Property, plant and equipment	-	-	-	816	816
Loans and receivables	183,266	-	-	-	183,266
Trade and other receivables	1,036	7,540	-	-	8,576
	184,302	7,540	-	1,665	193,507
Current assets					
Loans and receivables	136,986	-	-	-	136,986
Trade and other receivables	2,476	12,242	-	156	14,874
Cash and cash equivalents	44,640	-	-	-	44,640
	184,102	12,242	-	156	196,500
Total assets	**368,404**	**19,782**	-	**1,821**	**390,007**
LIABILITIES					
Current liabilities					
Borrowings	-	-	202,292	-	202,292
Trade and other payables	-	-	13,083	1,864	14,947
Deferred income	-	-	-	235	235
Provisions	-	-	-	31,014	31,014
	-	-	215,375	33,113	248,488
Non-current liabilities					
Borrowings	-	-	31,287	-	31,287
Preference shares	-	-	1,135	-	1,135
Trade and other payables	-	-	653	-	653
Deferred income	-	-	-	209	209
Provisions	-	-	-	17,255	17,255
	-	-	33,075	17,464	50,539
Total liabilities	-	-	**248,450**	**50,577**	**299,027**

Welcome Financial Services Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

17 Financial instruments (continued)

2012	Loans and receivables £'000	Available for sale financial assets £'000	Financial liabilities - other £'000	Non-financial assets / liabilities £'000	Total £'000
ASSETS					
Non-current assets					
Intangible assets	-	-	-	985	985
Property, plant and equipment	-	-	-	1,595	1,595
Loans and receivables	238,565	-	-	-	238,565
Trade and other receivables	973	10,760	-	-	11,733
	239,538	10,760	-	2,580	252,878
Current assets					
Loans and receivables	172,550	-	-	-	172,550
Trade and other receivables	4,072	-	-	666	4,738
Cash and cash equivalents	40,901	-	-	-	40,901
	217,523	-	-	666	218,189
Total assets	457,061	10,760	-	3,246	471,067
LIABILITIES					
Current liabilities					
Borrowings	-	-	67,885	-	67,885
Trade and other payables	-	-	12,477	2,645	15,122
Deferred income	-	-	-	1,378	1,378
Provisions	-	-	-	23,389	23,389
	-	-	80,362	27,412	107,774
Non-current liabilities					
Borrowings	-	-	216,739	-	216,739
Preference shares	-	-	1,135	-	1,135
Deferred income	-	-	-	1,217	1,217
Provisions	-	-	-	24,724	24,724
	-	-	217,874	25,941	243,815
Total liabilities	-	-	298,236	53,353	351,589

17 Financial instruments (continued)

Fair values of non-derivative financial instruments

Except for those financial instruments (being intra-group receivables, intra-group borrowings, trade and other receivables, cash and bank balances, Scheme liability, trade and other payables, preference shares and obligations under finance leases and hire purchase contracts) whose carrying values approximate to their fair values, there are no further financial instruments that are not recognised in the balance sheet at fair value

The fair value of loans and receivables is disclosed in note 11 The carrying value of the Scheme liability is calculated by discounting expected future cash flows and is deemed to approximate to its fair value

The Scheme liability would be categorised within the fair value hierarchy as a Level 3 value The fair value is determined using a discounted cash flow model The key assumptions relate to estimated future gross cash flows (set out in the 'Liquidity risk – borrowings' section of note 22) and have been discounted at a pre-tax rate of 3 37% (2012 3 37%)

Available for sale financial assets

The available for sale financial asset relates to payments made to the FSCS that the Company forecasts will not be used by the FSCS to pay compensation and costs and are therefore forecast to be repaid to the Company This asset is categorised as Level 3 within the fair value hierarchy It is measured on a discounted cash flow basis as the difference between the total gross cash payments made to the FSCS of £118 0 million and the total expected gross costs of PPI redress of £95 9 million The pre-tax discount rate used was 8% (2012 8%)

The following table provides an analysis of the movement in the Company's available for sale financial asset during 2013

	2013 **£'000**
At 1 January	**10,760**
Total unrealised gain for the period recognised in profit and loss (other operating expenses)	**1,953**
Payments made to the FSCS	**7,069**
At 31 December	**19,782**

The eventual amount receivable is sensitive to the estimate of the total cost of PPI redress An increase/decrease of 10% in these costs would give rise to a fair value movement of -/+ £1 6 million

Welcome Financial Services Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

18 Share capital

a) Ordinary share capital

	Authorised			
	2013		2012	
	Number	£'000	Number	£'000
Ordinary shares of £1 each	100,000,000	100,000	100,000,000	100,000
Ordinary shares of 1p each	1,004,500	10	1,004,500	10
	101,004,500	100,010	101,004,500	100,010

	Allotted, called up and fully paid			
	2013		2012	
	Number	£'000	Number	£'000
Ordinary shares of £1 each	100,000,000	100,000	100,000,000	100,000
Ordinary shares of 1p each	499,500	5	499,500	5
	100,499,500	100,005	100,499,500	100,005

The rights attached to the ordinary shares are as follows

Voting
On a show of hands every ordinary shareholder who is present in person at a general meeting of the Company and every proxy appointed by an ordinary shareholder and present at a general meeting of the Company shall have one vote and on a poll every ordinary shareholder who is present in person or by proxy shall have one vote for every share held

Dividends
Subject to the preferential rights attaching to the "A", "B" and irredeemable preference shares, ordinary shareholders shall be entitled to receive such dividend as the Company by ordinary resolution may from time to time declare as a final dividend (such dividend not to exceed the amount recommended by the Board) or as the Board may from time to time declare as an interim dividend

Return of capital on a winding-up
Subject to the preferential rights attaching to the "A", "B" and irredeemable preference shares, ordinary shareholders are entitled to participate in any surplus assets on the winding-up of the Company in proportion to their shareholdings

18 Share capital (continued)

b) Preference share capital

Number of shares	Authorised 2013	Authorised 2012	Allotted, called up and fully paid 2013	Allotted, called up and fully paid 2012
"A" preference shares of 1p each	**10,000,000**	10,000,000	**10,000,000**	10,000,000
"B" preference shares of 1p each	**25,000,000**	25,000,000	**25,000,000**	25,000,000
Irredeemable preference shares of 1p each	**150,000,000**	150,000,000	**78,477,202**	78,477,202
	185,000,000	185,000,000	**113,477,202**	113,477,202

Allotted, called up and fully paid	2013 Carrying value £'000	2013 Nominal value £'000	2012 Carrying value £'000	2012 Nominal value £'000
"A" preference shares of 1p each	**100**	**100**	100	100
"B" preference shares of 1p each	**250**	**250**	250	250
Irredeemable preference shares of 1p each	**785**	**785**	785	785
	1,135	**1,135**	1,135	1,135

The rights attached to the preference shares are as follows

The "A" and "B" preference shares have the following rights

- To receive first out of profits a cumulative dividend at the rate of six-month sterling LIBOR per annum on the amount paid up as to nominal value on each "A" or "B", as applicable, preference share,
- In a winding-up, to receive repayment of capital as to nominal value and any unpaid and accrued dividends in preference to all other classes of share, and
- No right to attend and vote at general meetings of the Company, except where a resolution is to be proposed
  - Abrogating, varying or modifying any of the rights of the holders of the "A" or "B", as applicable, preference shares, or
  - In respect of a winding up of the Company, or
  - If any "A" or "B", as applicable, preference dividend has been declared but not paid

The irredeemable preference shares have the following rights

- To receive second out of profits a cumulative preferential dividend equal to twelve-month sterling LIBOR plus 4 68% multiplied by £1 00, paid annually in arrears,
- In a winding-up, to receive repayment of capital as to nominal value, any unpaid dividends and a further £0.99 per irredeemable preference share in preference to all classes of share other than the "A" and "B" preference shares, and
- No right to attend and vote at general meetings of the Company

As a result of the scheme of arrangement, the Company is no longer forecast to be able to pay any future preference share dividends and, as such, the preference share debt has been revalued at its nominal value

19 Reconciliation of loss before taxation to cash inflow from operations

	2013 £'000	2012 £'000
Loss before taxation	**(28,498)**	(172,719)
Adjustments for		
Depreciation of property, plant and equipment	**501**	387
Profit on disposal of property, plant and equipment	**(29)**	(42)
Amortisation of intangible assets	**218**	284
Recognition of Scheme liability	**47,503**	159,081
Decrease in loans and receivables	**88,940**	127,060
(Increase) / decrease in trade and other receivables	**(6,979)**	12,493
Decrease in deferred income	**(2,151)**	(4,336)
Increase in trade and other payables	**478**	599
Increase in provisions	**156**	5,841
Cash inflow from operations	**100,139**	128,648

The amount of interest paid and received (excluding that recognised in interest income) during the year was £0 3 million (2012 £0 1 million) and £0 1 million (2012 £0 4 million) respectively

The amount of preference dividends paid during the year was £nil (2012 £nil)

Included within cash and cash equivalents is an amount of £3 2 million (2012 £6 0 million) held in trust for the potential settlement of claims in respect of PPI sold prior to 14 January 2005 and an amount of £17 3 million (2012 £16 2 million) held in trust for the Employee Retention Fund The Employee Retention Fund was established in December 2010, in order to secure future payments to employees The Company maintains a bank account that holds the ring-fenced Employee Retention Fund cash The Company has granted security over this account in favour of Welcome Finance Group Limited, another Group company, which holds the benefit of such security on trust for the employees

20 Pension obligations

The Company is a member of the Cattles Group, which operates a defined contribution pension plan

Defined contribution post-employment benefit plan
The staff cost recognised for the year ended 31 December 2013 in relation to the defined contribution pension plan is £0 5 million (2012 £0 5 million)

21 Operating lease arrangements

At the balance sheet date, the Company had total future lease payments under non-cancellable operating leases as follows

	2013		2012	
	Land and buildings £'000	**Motor vehicles £'000**	Land and buildings £'000	Motor vehicles £'000
Future lease payments				
Within one year	**1,240**	**1,248**	855	25
Between one and five years	**440**	**1,787**	262	3,310
	1,680	**3,035**	1,117	3,335

The following lease payments were recognised in the income statement during the year

Lease payments	**1,031**	**1,206**	1,625	1,572

22 Financial risk management

Management of credit risk
The Company acknowledges that the risk arising from changes in credit quality and the recoverability of loans is inherent in the nature of its business Adverse changes in customers' credit quality arising from a general deterioration in economic conditions in the UK, such as higher interest rates, higher unemployment levels or house price reductions, could affect the recoverability and value of the Company's loans and receivables

The Company's Board (the Board) sets standards for credit risk management This is achieved through a combination of governance structures, credit risk policies and credit systems and processes The Board has delegated the authority for implementing credit policy to the Company's executive management Executive management determine credit policy within the risk appetite set by the Board Oversight is provided by the Group Audit & Risk Committee As noted below, new credit is only granted in the Shopacheck business

The Company's principal protections against credit risk in the Welcome business were its credit scoring and underwriting processes Lending to new customers ceased after February 2009 A minimal level of renewal business was granted for the remainder of the year, before the decision was taken to not grant further lending on 16 December 2009

The risk from a concentration of customer credit risk is limited due to the relatively low value of each customer's debt and the Company's large customer base

In the Company's Shopacheck business, credit risk is managed through regular analysis of customers' ability to make repayments, and their credit limits are amended accordingly

Credit risk in relation to cash assets is managed by holding cash at a number of separate banks, to reduce counterparty credit risk

22 Financial risk management (continued)

Liquidity risk - borrowings

The contractual maturities of the Company's borrowings, including both capital and future finance charges comprising interest payments, are analysed below The amounts shown include future finance charges and exclude any impact of discounting and therefore differ from the amounts shown on the Company's balance sheet

2013	On demand £'000	Up to 3 months £'000	3-12 months £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000	**Total £'000**
Scheme liability	-	40,425	168,641	31,661	-	-	-	-	**240,727**
Intra-group borrowings	42	-	-	-	-	-	-	-	**42**
Total	**42**	**40,425**	**168,641**	**31,661**	-	-	-	-	**240,769**

2012	On demand £'000	Up to 3 months £'000	3-12 months £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000	Total £'000
Scheme liability	-	22,992	46,167	99,225	42,509	41,316	33,992	24,896	311,097
Intra-group borrowings	981	-	-	-	-	-	-	-	981
Total	981	22,992	46,167	99,225	42,509	41,316	33,992	24,896	312,078

The maturity of the Scheme liability is based on the Company's forecast net cash generation which determines the forecast level of distribution payments to Scheme creditors In accordance with the Scheme, actual distribution payments will be determined by the actual net cash generation, which may be higher or lower than that forecast

In line with the current medium-term plan, prepared during 2013, the Company will continue to investigate opportunities to sell parts of its customer loan book, where this provides better value to its Scheme Creditors than a continued collect out The effect of this is that a significant proportion of the Scheme liability is expected to be settled much earlier than was previously the case

22 Financial risk management (continued)

Liquidity risk – obligations under operating lease contracts

The maturity profiles of the contractual cash flows associated with the Company's operating leases are analysed below

	Up to 3 months £'000	3-12 months £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000	Total £'000
2013	**831**	**1,657**	**1,445**	**684**	**98**	**-**	**-**	**4,715**
2012	316	564	185	680	2,705	2	-	4,452

Management of liquidity risk

Liquidity risk is the risk to earnings or capital arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses It includes the risk of inability to manage unplanned decreases or changes in funding sources and also any failure to recognise and address changes in market conditions that could affect the Company's ability to liquidate assets quickly, with minimum value loss, if necessary

At 31 December 2013, the intra-group borrowings of £42,000 (2012 £981,000) were repayable on demand

Management of capital risk

As a consequence of the Scheme of arrangement, management of capital is no longer a matter of focus for management, as its objective is to maximise returns to creditors

23 Related party transactions

Ultimate parent undertaking

Prior to 2 March 2011, the ultimate parent undertaking and controlling party of the Company was Cattles, registered in England and Wales As a consequence of the Group's scheme of arrangement which became effective on 2 March 2011, operating and financial policy has been set by the operation of the various schemes and other legal arrangements put in place as part of the Group restructuring, and as such the voting rights over the Company held by its shareholders do not influence the strategic direction of the Company Therefore, the Company neither has a parent or ultimate parent undertaking, nor does it have a controlling related party

Related party transactions

During the year, the Company entered into a number of related party transactions with former Group companies, as outlined below in the narrative and the following table

- The Company employed the services of The Lewis Group Limited, a business that was, until 8 August 2013, a fellow subsidiary undertaking for certain debt collection activities for which a fee was levied This fee was derived on an arm's length basis
- The Company levied management charges for the provision of central services and IT services to The Lewis Group Limited and Cattles Limited The charges were calculated on a cost incurred basis
- During the year, the Company's main office was rented from a fellow subsidiary undertaking, Cattles Properties (Ruddington) Limited, at an agreed rent

Welcome Financial Services Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

23 Related party transactions (continued)

	2013 £'000	2012 £'000
Receipt / (repayment) of funds	**985**	(528)
Debt collection charges	**698**	1,609
Management charge – central services / IT services	**(381)**	(479)
Office rental	**377**	720
Related party suppliers		
The Aaronite Partnership LLP	**98**	160
Collinson Grant Limited	**-**	162
Graham Horn Consulting Limited	**-**	93
HAP Limited	**-**	502
Thirdant Marler Limited	**221**	257
Amerial Limited	**35**	45

Receivables due from and payables to Cattles and fellow subsidiary undertakings are disclosed in notes 11 and 14 respectively

Amounts included in trade and other payables (note 15) in respect of the related party suppliers were The Aaronite Partnership LLP £10,800 (2012 £11,147), HAP Limited £nil (2012 £150,477), Thirdant Marler Limited £18,324 (2012 £20,687) and Amerial Limited £12,000 (2012 £nil)

24 Post balance sheet events

On 9 March 2014, the trade and assets of the Shopacheck business were sold to Shopacheck Financial Services Limited On 10 March 2014, the entire share capital of Shopacheck Financial Services Limited was sold to a third party, Perpignon Limited, giving rise to a loss on disposal of £43 5 million

Total consideration received, before costs, amounted to £18 0 million In addition, £13 0 million of cash was extracted from the Shopacheck business between 31 December 2013 and the date of disposal and has subsequently been distributed to WFS Scheme Creditors in 2014 A further amount of £5 7 million has been released from the Employee Retention Fund, as a consequence of the disposal and has also been distributed to WFS Scheme Creditors in 2014 Total distributions to WFS Scheme Creditors as a result of the sale of Shopacheck are expected to be around £36 7 million