Registered number 133540

Welcome Financial Services Limited

Annual Report and Financial Statements

for the period ended 30 June 2019

Welcome Financial Services Limited

Annual Report and Financial Statements for the period ended 30 June 2019

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Welcome Financial Services Limited

Directors and Advisers

Directors
J R Drummond Smith
R D East
J M Briggs
R S Johnson

Company secretary
R C W Todd

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Mere Way
Ruddington Fields Business Park
Ruddington
Nottingham
NG11 6NZ

Registered in England
Registered number: 133540

Independent Auditor
Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Welcome Financial Services Limited

Strategic Report for the period ended 30 June 2019

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. The Company entered a scheme of arrangement with its creditors, effective from 2 March 2011 (the WFS Scheme) and since then WFS' main focus has been on collecting out or selling its loan book to realise value for its Scheme Creditors.

Business review
As a result of WFS being closer to the conclusion of the WFS Scheme, where it is likely the Company will cease to trade, the basis of preparation of the financial statements was changed in 2015 and the accounts are no longer prepared on a going concern basis. As a consequence, the loan book is now valued on a net realisable value (NRV) basis rather than its amortised cost.

It remains the Board's intention that the WFS Scheme be eventually concluded by means of a scheme certified liquidation (SCL). This is currently expected to commence in December 2019. There is no realistic prospect of WFS not at some stage in the foreseeable future ceasing to trade. As a result, with entry into SCL now considered imminent, the directors have made the decision to accrue future operating, redundancy and liquidation costs at the balance sheet date.

On 9 February 2018, the Company sold a significant amount of its remaining loan book. This represented the vast majority of the net realisable value of the loan book as at 31 December 2017.

The Company made a loss in the period before tax of £20.7 million (2017: loss £19.1 million) from continuing operations. The loss has arisen as following the sale of receivables in February 2018, the Company generated very little interest or other loan related income but still continues to incur operating costs. £9.4 million of the loss relates to the accruing of future operating, redundancy and liquidation costs.

The balance sheet as at 30 June 2019 includes in Borrowings a Scheme Liability of £10.0 million (2017: £29.5 million), representing the Company's liability to pay distributions to its Scheme Creditors from its forecast surplus cash flows. This liability is measured at its discounted value, with the cash flow forecasts and appropriate discount rate being reassessed at each balance sheet date. The Scheme Liability has reduced following the payment of distributions totalling £23.5 million to Scheme Creditors during the period to 30 June 2019 (2017: £15.5 million).

The Company's balance sheet at 30 June 2019 shows net assets of £0.6 million (2017: £21.3 million). As all future costs have now been accrued at the balance sheet date, the net assets represent differences in discount rates applied to the different assets and liabilities.

During 2018 and the first half of 2019, the Company continued to collect out its customer loan book, with cash collections in the period of £4.4 million (2017: £29.0 million). The reduction in collections reflects lower outstanding customer loan balances, resulting from the continued impact of contractual collections, settlements and debt sales. In addition, proceeds received in the period from debt sales amounted to £30.9 million (2017: £2.7 million).

Customers' net loans and receivables were £0.6 million (2017: £34.1 million). This represents the actual sales proceeds from a debt sale in July 2019 together with the directors' current estimate of the NRV of the remaining loan book, which is calculated by discounting the future expected gross cash flows from the loans and receivables at 10% per annum (2017: 10%), being the discount rate agreed with the Creditors' Committee at the relevant time. 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.

Schemes of arrangement
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 the WFS Scheme, the purpose of which 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 are the future net cash collections, proceeds of any loan book sales less the costs of administering the WFS Scheme and realising the Company's assets.

PPI
Under an agreement reached between the Financial Services Compensation Scheme (FSCS) and the Company, the FSCS is responsible for paying PPI-related claims of eligible PPI Claimants arising on or after 14 January 2005, in return for payments (all of which were made by 2014) from the Company to the FSCS, which have been repaid to WFS to the extent that they are not used by the FSCS to pay compensation and costs. 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. £20.0 million was paid in to the trust shortly before the Scheme Effective Date. Additional top-up payments have since been made amounting to £40.6 million by 30 June 2019.

The Financial Conduct Authority (FCA) deadline for new PPI claims passed on the 29 August 2019 and after that date the Company will not uphold any new claims.

Basis of preparation
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 WFS Scheme as modified by a proposal agreed by the Scheme Creditors on 7 July 2016 as a result of a Scheme Reversion Decision Event (the Proposal). The WFS Scheme and the Proposal include a number of covenants, some of which, if breached, potentially could lead to a Scheme Reversion.

The directors believe the Company will cease trading in the foreseeable future, when as envisaged by the WFS Scheme, it is expected that the Company will enter a SCL in December 2019. Consequently, the directors have concluded that the financial statements should be prepared on a basis other than a going concern.

After making enquiries regarding the circumstances outlined above, the directors have concluded that following the agreement of the Proposal and based on its current medium-term plan, there is a reasonable expectation that the Company will, for the period up to the planned entry into SCL, be able to meet the covenants contained in the WFS Scheme and the Proposal. The directors have a reasonable expectation that the Company can continue to pay its operational debts as they fall due for the foreseeable future, including during the SCL, irrespective of the basis of the preparation of the financial statements, which is not on a going concern basis.

Principal risks and uncertainties
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.

Principal risks and uncertainties (continued)

Conduct risk - The risk that overall culture, approach and behaviours lead to unfair outcomes for customers. This could result from: failing to deal with customers' complaints effectively; not meeting customers' expectations; and exhibiting behaviours which do not meet market or regulatory standards. The most significant conduct cost in recent years has been the consequence of historic PPI mis-selling. Conduct risk is managed and controlled through a three lines of defence model, a regular root cause analysis review across various complaints with a further senior management review of the outcome of customers' complaints and also a series of conduct risk metrics. Senior management and the Board review the provisions included in the accounts for PPI mis-selling. Conduct risk training is a requirement for all employees.

Operational risk - This is the risk of loss resulting from inadequate or failed internal processes, resources and systems, in an environment where the Company is winding down and therefore rationalising its system and people infrastructure. The risk is controlled through a formal risk framework, following a three lines of defence approach. The framework is underpinned by a robust operational infrastructure with documented controls and up to date policies and procedures, together with quarterly risk reviews and timely new risk escalation. Training is provided to all employees to raise awareness of operational risks.

Key performance indicators

The key performance measures are summarised below:

	2019 **£m**	2017 £m
Cash collections	**4.4**	29.0
Debt sale proceeds	**30.9**	2.7
Distributions to WFS Scheme Creditors	**23.5**	15.5

On behalf of the Board

J M Briggs
Director
18 October 2019

Registered number: 133540

Welcome Financial Services Limited

Directors' Report for the period ended 30 June 2019

The directors present their Annual Report together with the audited financial statements of the Company for the period ended 30 June 2019.

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

J R Drummond Smith
R D East
J M Briggs
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 (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 judgements 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, which remain in force at the date of this report.

Dividends
The directors cannot recommend the payment of an ordinary dividend (2017: £nil) or dividends on any of the preference shares (2017: £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.

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 were able to earn bonus payments based on cash collections and their individual performance, though such arrangements have now ended as the Company approaches entry into SCL.

Financial risk management
Information about the use of financial instruments by the Company and its financial risk management policies is given in note 20 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. However, given the Company's planned entry into SCL, it is unlikely that a further annual audit will be required in practice.

By order of the Board

RCW Todd

R C W Todd
Company secretary
18 October 2019

Registered number: 133540

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

Opinion
We have audited the financial statements of Welcome Financial Services Limited (the 'Company') for the period from 1 January 2018 to 30 June 2019, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter– basis of preparation of the financial statements
We draw your attention to the 'Basis of preparation' note within the Statement of accounting policies, which describes the basis of preparation of the financial statements. As described in that note, the directors believe the Company will cease trading in the foreseeable future, when, as envisaged by the WFS Scheme, it is expected that the Company will enter a Scheme Certified Liquidation. Accordingly, the directors have prepared the financial statements on a break up basis. Our opinion is not modified in respect of this matter.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors for the financial statements
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Grant Thornton UK LLP

David Pearson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, United Kingdom

18 October 2019

Welcome Financial Services Limited

Income Statement for the period ended 30 June 2019

	Notes	**18 months ended 30 June 2019 £'000**	Year ended 31 December 2017 £'000
Interest income		**433**	5,570
Fee and related income		**14**	74
Revenue		**447**	5,644
Interest expense	2	**(424)**	(1,308)
Movement on net realisable value of loans and receivables	11	**2,247**	(12,418)
Staff costs	3	**(9,529)**	(6,417)
Other operating expenses	5	**(9,487)**	(3,477)
Scheme of arrangement adjustments – finance costs	7	**(580)**	(1,180)
Scheme of arrangement adjustments – other	7	**(3,386)**	36
Loss before taxation		**(20,712)**	(19,120)
Taxation	8	**-**	-
Loss for the period		**(20,712)**	(19,120)

Statement of Comprehensive Income for the period ended 30 June 2019

There were no items of other comprehensive income in either of the above periods and therefore total comprehensive income for the period of the Company amounted to a loss of £20,712,000 (2017: loss of £19,120,000).

Welcome Financial Services Limited

Statement of Changes in Equity for the period ended 30 June 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	100,005	(59,584)	40,421
Comprehensive loss for the year	-	(19,120)	(19,120)
At 1 January 2018	100,005	(78,704)	21,301
Comprehensive loss for the period	-	(20,712)	(20,712)
At 30 June 2019	**100,005**	**(99,416)**	**589**

Welcome Financial Services Limited

Balance Sheet as at 30 June 2019

	Notes	30 June 2019 £'000	31 December 2017 £'000
ASSETS			
Loans and receivables	11	**602**	34,110
Trade and other receivables	13	**3,873**	2,584
Cash and cash equivalents		**24,385**	37,507
Total assets		**28,860**	74,201
LIABILITIES			
Borrowings – Scheme Liability		**10,031**	29,546
Trade and other payables	14	**2,470**	4,773
Provisions	15	**14,635**	17,446
Preference shares	17	**1,135**	1,135
Total liabilities		**28,271**	52,900
Net assets		**589**	21,301
SHAREHOLDER'S EQUITY			
Share capital	17	**100,005**	100,005
Retained earnings		**(99,416)**	(78,704)
Total equity		**589**	21,301

The financial statements were approved by the Board of Directors on 18 October 2019 and signed on its behalf by:

J M Briggs
Director

Registered number: 133540

Welcome Financial Services Limited

Cash Flow Statement for the period ended 30 June 2019

	Notes	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Cash flows from continuing operations			
Cash inflow from operations	18	**10,362**	18,726
Cash flows from financing activities			
Repayment of Scheme Liability		**(23,484)**	(15,522)
Net cash outflow from financing activities		**(23,484)**	(15,522)
Net (decrease) / increase in cash and cash equivalents from continuing operations		**(13,122)**	3,204
Cash and cash equivalents at 1 January		**37,507**	34,303
Cash and cash equivalents at 30 June		**24,385**	37,507
For the purposes of the cash flow statement, cash and cash equivalents comprise:			
Cash and bank balances		**24,385**	37,507

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 2018. These financial statements have also been prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS, modified as a result of the financial statements not being prepared on a going concern basis.

Basis of preparation
The financial statements are prepared under the historical cost convention except for those impacted as a result of the financial statements having not been prepared on a going concern basis as disclosed below 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.

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 WFS Scheme as modified by a proposal agreed by Scheme Creditors on 7 July 2016 as a result of a Scheme Reversion Decision Event (the Proposal). The WFS Scheme and the Proposal include a number of covenants, some of which, if breached, potentially could lead to a Scheme Reversion.

The directors believe the Company will cease trading in the foreseeable future, when as envisaged by the WFS Scheme it is expected that the Company will enter a SCL. The directors' latest view is that the most likely timing of entry into SCL will be during December 2019. Consequently, the directors have concluded that the financial statements should be prepared on a basis other than a going concern.

After making enquiries regarding the circumstances outlined above, the directors have concluded that following the agreement of the Proposal and based on its current medium-term plan, there is a reasonable expectation that prior to entry into SCL the Company will be able to meet the covenants contained in the WFS Scheme and the Proposal. The directors have a reasonable expectation that the Company can continue to pay its operational debts, including once in SCL, as they fall due for the foreseeable future irrespective of the fact that the financial statements are prepared on a basis other than going concern.

Accounting developments
Standards and interpretations which have been adopted by the Company in the period to 30 June 2019
IFRS 9 and IFRS 15 are relevant to the Company, and in particular its valuation of the loan book and income recognition. However with the Company now preparing its accounts on a basis other than a going concern, the Company continues to value its loan book at net realisable value, and this is not directly impacted by IFRS 9 or IFRS 15.

Standards and interpretations in the period to 30 June 2019 which have not been adopted
There are no relevant standards and interpretations that have been issued but are not effective in the period ended 30 June 2019.

The following standard has been issued which would be potentially relevant to the Company's operations in future years though not specifically for the period ended 30 June 2019 Report and Accounts. However the Company's proposed entry into SCL means it will not be relevant in practice.

IFRS 16: This standard would in the future impact the Company's accounting for lease arrangements. The lease arrangements in place are relatively straightforward mainly relating to the Company's head office In view of the intended liquidation of the business, notice has been given to terminate the current lease arrangement.

Statement of accounting policies (continued)

Interest income and fees
Interest income and fees are recognised as added to the customer's account. Any irrecoverable amount has been recognised as part of the net realisable value adjustment.

Interest expense
Interest expense primarily comprises the unwinding of discounting on provisions.

Financial assets
Financial assets were 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 recognised at net realisable value.

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.

Valuation of loans and receivables
In 2015, the Company changed the basis of the preparation of the financial statements to be not on a going concern basis which resulted in a change to the method of recognising the loan book receivables from one of using an amortised cost basis to using a net realisable value approach. This better reflects the value expected to be realised from the remaining loan book that can then be returned to the Scheme Creditors.

The value attributed to the loan book is based on the known value generated from debt sales occurring after the period-end together with known collections performance since the period-end. Further estimates of collections in future months up to entry into SCL have been made but these are considered immaterial. The total expected cash flows from the loan book are then discounted at 10% (2017: 10%).

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, the Company 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 relates 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, the Company does not calculate the value of hire purchase collateral.

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.

Welcome Financial Services Limited

Statement of accounting policies (continued)

Staff costs (continued)
b) Pension obligations
The Company 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. Due to the imminent SCL all future termination benefits have been recognised in the provisions.

Taxation
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.

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.

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.

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 Company's cost of capital. Receivables with a short duration are not discounted. Further details on the valuation policy in relation to the Company's loan portfolio are set out in the accounting policy valuation 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, but 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.

Statement of accounting policies (continued)

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 WFS Scheme, 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 and other customer redress provisions are set out in notes 1 and 15.

Trade and other payables
Trade and other payables are recognised at fair value.

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.

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.

Further details of the Scheme liability are set out in note 1.

Financial liabilities
Other financial liabilities, including borrowings, are measured at fair value.

Notes to the financial statements for the period ended 30 June 2019

1 Key sources of estimation uncertainty

The preparation of financial statements 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
Scheme Liability
The measurement of the Scheme Liability requires the use of both significant judgements and estimates (see below). The key judgements involve an assessment of the actions to take to maximise the distributions to Scheme Creditors. These judgements include how to deal with the remaining loan book, whether regulatory matters identified relating to the sale of PPI and non PPI products and other regulatory redress issues require the recognition of provisions, the size of the operation required to support the business as the strategy is carried out and the claims likely to be received in, and the costs and timing of effecting, a SCL.

Key estimates
Loans and receivables valuation
The directors believe that the Company no longer meets the definition of a going concern and therefore the method of valuing the loan book reflects the expected net realisable value of the loan book. The future net realisable value has largely been defined through a debt sale subsequent to the period end and actual collections subsequent to the period end. The small remaining value of the loans and receivables valuation is a matter of judgement but is now considered immaterial.

It is assumed that no further collections on the loan book will be made following the Company's planned entry into SCL, nor will any additional sale value be realised after this point

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 15. The calculation of the provisions contains significant judgement and estimates and is determined by reference to an informed estimate made by the Company as to the likely amount that would be needed to meet such claims. This estimate takes account of the number of policies sold by the Company prior to 14 January 2005, claims received and paid to date, Whilst the FCA deadline of 29 August 2019 for PPI claims has now passed, the Company is still processing the claims and data requests received immediately before the deadline. Therefore it has been necessary to make informed estimates of how many of these claims and data requests turn into actual paid out claims, and also the average value of each paid out claim. A change in the average cost of PPI redress of +/- 10% would increase/decrease the required provision by £0.1 million (2017: £1.1 million). The Company has also made provision for anticipated claims in liquidation. This has been calculated taking into account the expected contact strategy in liquidation and levels of response from potential creditors.

Notes to the financial statements for the period ended 30 June 2019 (continued)

1 Key sources of estimation uncertainty (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 dependent on the amount of net cash generated by WFS, which includes forecast cash collections from customers, costs in relation to the past sales of insurance products and forecast overheads. The Scheme Liability 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 the level of PPI claims. A change of +/- 10% in the Company's distributable cash over the forecast period would increase/decrease the carrying value of the Scheme Liability by £1.2 million (2017: £1.2 million).

Liquidation Costs
It is intended that the Company enters SCL in December 2019. Estimates have been made relating to the costs of the liquidation, and the value of any claims received by the liquidators during the SCL. In arriving at these estimates it has also been necessary to make assumptions as to the claims made by the creditors in the SCL, and the likely duration of the SCL.

2 Interest expense

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Bank interest received	**(211)**	(116)
Unwinding of discounting on provisions	**639**	1,424
Other interest	**(4)**	-
	424	1,308

3 Staff costs

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Wages and salaries	**8,264**	5,583
Social security costs	**862**	601
Pension costs - defined contribution pension schemes	**238**	137
Other employee benefits	**165**	96
Total staff costs	**9,529**	6,417

Staff costs include a cost for employee termination benefits of £2.4 million (2017: £0.5 million). Other employee benefits principally comprise the cost of providing health insurance and life assurance cover.

The average monthly number of persons employed by the Company from continuing operations (including directors) during the year was 72 (2017: 106).

4 Directors' emoluments

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Aggregate emoluments	1,569	1,744
Contributions to defined contribution pension schemes	15	10
	1,584	1,754

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	934	1,091

Key management compensation, including the directors' emoluments above, paid by the Company in respect of continuing operations, amounted to £2.1 million (2017: £2.2 million). These amounts consist of short-term employee benefits of £2.1 million (2017: £2.2 million) and other long-term benefits of £nil (2017: £nil).

5 Other operating expenses

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Administrative expenses	8,219	2,961
Occupancy costs	738	352
Collection costs	431	317
Provisions costs	363	(324)
Movements in amounts forecast to be repaid by the FSCS	(11)	(441)
Movement in amounts forecast to be repaid under the WFS Scheme	(2,008)	-
VAT	1,755	612
	9,487	3,477

Under the WFS Scheme certain amounts were paid at the start of the WFS Scheme, which are repayable to the Company when the WFS Scheme completes. These amounts are expected to be paid in SCL.

6 Auditor's remuneration

The analysis of Auditor's remuneration is as follows:

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Audit Services: Grant Thornton UK LLP	**95**	100

No remuneration was paid to Grant Thornton UK LLP in the year that related to non-audit services (2017: £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:

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Finance costs – unwinding of discounting of Scheme Liability	**580**	1,180
Other adjustments – increase / (decrease) in expected Scheme Liability	**3,386**	(36)
	3,966	1,144

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 the Income Statement.

8 Taxation

Analysis of credit in the year:	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Current tax:		
UK corporation tax at 19% (2017: 19.25%)	-	-
Adjustments in respect of previous years	-	-
Total tax charge in the income statement	-	-

The rate of tax for the year is 19% (2017: 19.25%).

The tax credit for the year is lower (2017: lower) than the tax credit (2017: charge) at the standard rate for the reasons set out in the following reconciliation:

8 Taxation (continued)

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Loss before taxation	**(20,712)**	(19,120)
Tax on loss at 19% (2017: 19.25%)	**(3,935)**	(3,680)
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	**754**	220
Movement in deferred tax not recognised	**3,181**	(3,460)
Total tax credit for the period	**-**	-

9 Intangible assets

Computer software	**Total £'000**
Cost	
At 1 January 2017	25
Written off	-
At 1 January 2018	25
Written off	-
At 30 June 2019	**25**
Accumulated amortisation	
At 1 January 2017	25
Written off	-
At 1 January 2018	25
Written off	-
At 30 June 2019	**25**
Net book amount	
At 30 June 2019	**-**
At 31 December 2017	-
At 1 January 2017	-

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.

10 Property, plant and equipment

Fixtures and equipment	Total £'000
Cost	
At 1 January 2017	1,646
Written off	(323)
At 1 January 2018	1,323
Written off	(36)
At 30 June 2019	**1,287**
Accumulated depreciation	
At 1 January 2017	1,646
Disposals	(323)
At 1 January 2018	1,323
Disposals	(36)
At 30 June 2019	**1,287**
Net book amount	
At 30 June 2019	-
At 31 December 2017	-
At 1 January 2017	-

11 Loans and receivables

	30 June 2019 £'000	31 December 2017 £'000
Loans and receivables	**602**	34,110

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 20, Financial risk management.

Maximum exposure to credit risk
The maximum exposure to credit risk of the Company's loans and receivables is £0.6 million (2017: £34.1million). Following the subsequent debt sale in July 2019, this exposure is reduced to an immaterial amount.

Net realisable value adjustment
The movement on net realisable value of loans and receivables for 2019 is £2.2 million credit (2017: £12.4 million charge).

12 Deferred tax assets

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%).

The Company has not recognised a deferred tax asset on losses and other timing differences of £1,258.1 million (2017: £1,228.9 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 £221.7 million (2017: £218.8 million).

13 Trade and other receivables

	30 June 2019 £'000	31 December 2017 £'000
Trade receivables	**-**	1
Other taxes and social security	**71**	-
Other receivables	**3,045**	1,958
Prepayments and accrued income	**757**	625
Total trade and other receivables	**3,873**	2,584

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 trade and other receivables at 30 June 2019 and 31 December 2017 are considered neither past due nor impaired.

Other receivables includes amounts forecast to be repaid to the Company at the completion of the WFS Scheme of £3.0 million (2017: £1.0 million).

Other receivables at 31 December 2017 also included £0.9 million of payments made to the FSCS that the Company forecast would not be used by the FSCS to pay compensation and costs and are therefore forecast to be repaid to the Company during 2018. This was paid during 2018 and therefore there is no similar amount at this period end. Further details of the arrangements with the FSCS are set out in the Strategic Report on page 4 and in note 15.

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

14 Trade and other payables

	30 June 2019 £'000	31 December 2017 £'000
Trade payables	**274**	131
Other taxes and social security	**244**	273
Other payables	**33**	199
Accruals	**1,919**	4,170
Total	**2,470**	4,773

All trade payables have a maturity of within one month.

15 Provisions

	30 June 2019 £'000	31 December 2017 £'000
Property provisions	**66**	55
Insurance and other customer redress provisions	**5,184**	17,391
Cost provision	**9,385**	-
Total provisions	**14,635**	17,446

The cost provision includes all future operating, redundancy and liquidation costs.

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

	30 June 2019 £'000	31 December 2017 £'000
At 1 January	**17,391**	24,095
Utilised	**(13,209)**	(7,804)
Provisions made	**792**	-
Unused amounts reversed	**(429)**	(324)
Movement in discounting	**639**	1,424
At 30 June / 31 December	**5,184**	17,391

In 2009 and prior, the Company sold a number of insurance products, including PPI, to a substantial number of its customers. Like other companies that sold such products, WFS 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.

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.

The arrangement with the FSCS involved certain payments totalling £90.0 million being made to the FSCS, subject to certain adjustments. These payments were made by the Company between March 2011 and May 2011. Under the terms of the PPI agreement with the FSCS, the Company made top-up payments to the FSCS in addition to the £90.0 million of £26.8 million with the final top-up payment in March 2014.

Save for an amount of up to £2.0 million, any amount of the payments to the FSCS not used to pay compensation and costs associated with paying compensation have been repaid to the Company during a period of between approximately three years and seven years from the first day of the month following the Scheme Effective Date.

Notes to the financial statements for the period ended 30 June 2019 (continued)

15 Provisions (continued)

In January 2014, the Company also entered into an agreement with the FSCS to cover Non PPI insurance products sold by WFS on or after 14 January 2005. This involves the Company making payments to the FSCS to cover the costs of any relevant claims. This fund was established from an initial payment of £3.0 million made in January 2014 and certain proceeds from any future debt sales before 31 December 2015 and any funds not used from the PPI fund. £5.1 million was repaid to the Company in early 2017 and a final repayment of £0.9m was received in 2018.

As at 31 December 2017, the financial statements included £0.9 million in respect of the discounted amount forecast to be repaid by the FSCS in relation to PPI and Non PPI. This balance was included within trade and other receivables, further details of which are set out in note 13. All amounts due were received during 2018.

The insurance provisions made at 30 June 2019 and 31 December 2017 incorporate the Company's estimate of its costs in relation to potential 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.

Since an initial £20.0 million was paid into the Unprotected PPI trust as part of the WFS Scheme, top up payments of £40.6 million have been made to the Unprotected PPI Trust up to 30 June 2019. As part of the Proposal, the Company may top up the Unprotected PPI Trust as long as the directors act reasonably in doing so and consult with the WFS Creditors' Committee.

Current forecasts of cash redress to future claimants at 30 June 2019 in respect of PPI sold prior to 14 January 2005, included within the PPI provision, are £4.3 million (2017: £11.6 million). In addition, cash redress of £10.6 million (2017: £6.3 million) was paid in the 18 months to 30 June 2019. This gives a total forecast cash redress of £63.9 million (2017: £60.6 million) including amounts already paid.

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

Notes to the financial statements for the period ended 30 June 2019 (continued)

16 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 and 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 which are not measured in accordance with IAS 39 are shown within non-financial assets / liabilities and are measured at net realisable value.

30 June 2019	**Loans and receivables £'000**	**Non-financial assets / liabilities £'000**	**Total £'000**
ASSETS			
Loans and receivables	-	602	602
Trade and other receivables	-	3,873	3,873
Cash and cash equivalents	24,385	-	24,385
Total assets	24,385	4,475	28,860
LIABILITIES			
Borrowings - Scheme Liability	-	10,031	10,031
Trade and other payables	-	2,470	2,470
Provisions	-	14,635	14,635
Preference shares	-	1,135	1,135
Total liabilities	-	28,271	28,271

31 December 2017	Loans and receivables £'000	Non-financial assets / liabilities £'000	Total £'000
ASSETS			
Loans and receivables	-	34,110	34,110
Trade and other receivables	-	2,584	2,584
Cash and cash equivalents	37,507	-	37,507
Total assets	37,507	36,694	74,201
LIABILITIES			
Borrowings - Scheme Liability	-	29,546	29,546
Trade and other payables	-	4,773	4,773
Provisions	-	17,446	17,446
Preference shares	-	1,135	1,135
Total liabilities	-	52,900	52,900

16 Financial instruments (continued)

Fair values of non-derivative financial instruments
Except for those financial instruments (being Loans and receivables, trade and other receivables, cash and bank balances, Scheme Liability, trade and other payables and preference shares) whose carrying values approximate to their fair values, there are no further financial instruments that are recognised in the balance sheet at fair value.

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 is 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 20) and have been discounted at a pre-tax rate of 3.37% (2017: 3.37%).

17 Share capital

a) Ordinary share capital

	Authorised			
	30 June 2019		31 December 2017	
	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			
	30 June 2019		31 December 2017	
	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 dividends as the Company by ordinary resolution may from time to time declare as a final dividend (such dividends not to exceed the amount recommended by the Board) or as the Board may from time to time declare as an interim dividend. The payment of a dividend is however highly remote given the Scheme of Arrangement and likely future entry into SCL.

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. This is however highly remote given the Scheme of Arrangement and likely future entry into SCL.

17 Share capital (continued)

b) Preference share capital

Number of shares	Authorised		Allotted, called up and fully paid	
	30 June 2019	31 December 2017	**30 June 2019**	31 December 2017
"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	30 June 2019		31 December 2017	
	Carrying value £'000	**Nominal value £'000**	Carrying value £'000	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 WFS Scheme, 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.

Notes to the financial statements for the period ended 30 June 2019 (continued)

18 Reconciliation of loss before taxation to cash inflow from operations

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Loss before taxation	**(20,712)**	(19,120)
Adjustments for:		
Increase in the Scheme Liability	**3,969**	1,116
Decrease in loans and receivables	**33,508**	36,010
(Increase) / decrease in trade and other receivables	**(1,289)**	8,527
Decrease in trade and other payables	**(2,303)**	(1,058)
Decrease in provisions	**(2,811)**	(6,749)
Cash inflow from operations	**10,362**	18,726

The amount of interest paid and received (excluding that recognised in interest income) during the period was £nil (2017: £nil) and £0.2 million (2017: £0.1 million) respectively.

The amount of preference dividends paid during the year was £nil (2017: £nil).

Included within cash and cash equivalents is an amount of £1.1 million (2017: £1.0 million) held in trust for the potential settlement of claims in respect of PPI sold prior to 14 January 2005 and an amount of £2.6 million (2017: £3.8 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 WFS employees.

19 Operating lease arrangements

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

	30 June 2019 Land and buildings £'000	31 December 2017 Land and buildings £'000
Future lease payments:		
Within one year	**89**	112
	89	112

The following lease payments were recognised in the income statement during the period:		
Lease payments	**456**	248

Future lease payments are lower than those recognised in the period due to the proposed closure of premises during 2019.

20 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.

No lending to new customers has been undertaken since February 2009 or renewal to existing customers since December 2009, with the exception of the Shopacheck business which was sold on 10 March 2014. The principal focus of the Company is therefore on the collection of its loan portfolio. This process is managed through a collections policy agreed by the WFS board and implemented by executive management.

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.

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

Liquidity risk - borrowings
The contractual maturities of the Company's borrowings, being its Scheme Liability 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.

Scheme Liability	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**
30 June 2019	-	-	-	**10,502**	-	-	-	-	**10,502**
31 December 2017	-	18,634	-	7,735	4,729	-	-	-	31,098

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.

The final Scheme Liability payment will be made at the end of the SCL.

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	Total £'000
30 June 2019	**41**	**48**	**89**
31 December 2017	56	56	112

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.

20 Financial risk management (continued)

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

21 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 period, the Company entered into no related party transactions with former Group companies.

	18 months ended 30 June 2019 £'000	Year ended 31 December 2017 £'000
Receipt of funds	-	13
Related party suppliers - Amerial Limited	-	32

22 Contingent Asset and Contingent Liability

The Company has a contingent asset of around £3.0 million relating to an historic VAT claim, which is currently being discussed with Her Majesty's Revenue and Customs. If this amount is ultimately received by WFS, it will also result in a £1.1 million liability to Cattles, as part of the claim relates to Cattles. The residual amount of £1.9 million would eventually be paid over to Scheme Creditors, and would thereby increase the Scheme Liability by £1.9 million.

23 Post balance sheet events

There are no significant post balance sheet events.