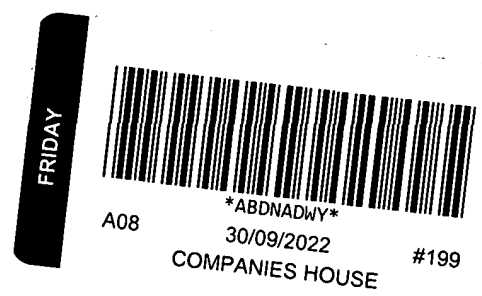


WELLESLEY FINANCE LIMITED

Annual Report and Financial Statements
for the year ended 31 December 2021

Company Number 08331511



WELLESLEY FINANCE LIMITED

Report and financial statements for the year ended 31 December 2021

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WELLESLEY FINANCE LIMITED

Officers and advisers

Directors

Andrew Turnbull

Garret Graham The Earl of Cowley (Resigned on 06 April 2021)

Registered Office

483 Green Lanes, London, N13 4BS

Company Registration Number

08331511

Auditors

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

Bankers

Barclays, Leicester, Leicestershire, LE87 2BB

Legal Advisers

Shoosmiths, 2 Colmore Square, 38 Colmore Circus Queensway, Birmingham, B4 6SH

WELLESLEY FINANCE LIMITED

Strategic report (continued) for the year ended 31 December 2021

Financial Performance and Business Review

Introduction

During 2020, the Company underwent a major restructuring. As part of which, the Company reached a compromise agreement with creditors under a Company Voluntary Arrangement ("CVA") which created obligations for the Company which were overseen by the Joint Supervisors from Kroll Advisory Ltd and fulfilled during the period. The CVA had a profound and exceptional effect on the financial statements in the period to 31 December 2020, and comparatives between this reporting period and the previous period should be viewed in this context. The CVA was formally completed in August 2022 and further details have been provided in note 28.

Financial Performance

Total operating income for the year was £2.6m (2020: £2.7m). The Company generated greater income from loan servicing fees of £1.4m (2020: £0.5m) as the Company supported its subsidiary Cloverleaf 376 Limited ("Cloverleaf") in working out the loan book that was sold to Cloverleaf in September 2020 as part of the restructuring of the wider Wellesley Group. The Company commenced new lending during the period, generating interest income of £141k (2020: £4,970k).

The Company's administrative expenses reduced by 58% to £1.3m (2020: £3.1m) reflecting the lower cost base of the post-CVA business model. The Company's loss before tax was £1.1m (2020: profit £24.2m) as there was a relatively modest impact of the restructure during the period, specifically the impact of derecognition of creditor liabilities being £0.2m (2020: £37.5m) and other expenses of nil (2020: £12.8m). The Company's total comprehensive loss for the year was therefore £1.1m (2020: income £24.2m).

At the reporting date, the Company had total assets of £11.7m (2020: £23.2m) following the realisation of investments held in listed shares which at the reporting date were £4.0m (2020: £7.5m) and a reduction in the amounts owed by group undertakings to £5.2m (2020: £14.1m). The Company had total liabilities of £5.7m (2020: £25.8m) as the obligation to compromised creditors under the CVA were largely fulfilled during the period £0.4m (2020: £25.2m). The Company therefore had net assets of £6.0m (2020: net liabilities of £2.6m).

An obligation of the CVA was to issue preferred shares to compromised creditors who had elected to receive them. During the period, the Company issued 9,713,644 preference shares at £1 each (2020: 'nil'). The share capital of the company was increased to £9,764k (2020: £50k).

The CVA

As outlined above, the Company underwent a major restructuring during 2020, as part of which, the Company reached a compromise agreement with creditors under a CVA which saw 95% of all creditors vote in favour of the Company's proposals. Following the approval of the CVA, the creditors of the company made an election of whether to receive cash distributions or be issued with preferred shares in the Company.

The following obligations to compromised creditors were created under the CVA:

- Cash distributions of £3.6m and £10.9m by 30 June and 31 December 2021, respectively (both settled in full)
- The issuance of £10.2m of preferred shares in the Company. During the period, the Company issued 9,713,644 preference shares at £1 each (2020: 'nil'). The share capital of the company was increased to £9,764k (2020: £50k).

As described the Post Balance Sheet events section in note 28, at the time of the publication of these financial statements, the Company had fulfilled all the obligations to compromised creditors, and the CVA was formally completed on 23 August 2022.

Key Performance Indicators ("KPIs")

The KPIs of the business at 31 December 2021 were:

- Profitability – measured by profit before tax, which at the reporting date was a loss of £1.1m (2020: profit £24.2m) with the comparative period being exceptionally impacted by the restructure.
- Cost / Income ratio – measured by administrative expenses divided by operating income, which at the reporting date was 51% (2020: 117%) following a reduction in administrative expenses reflecting the lower cost base of the post-CVA business model.

WELLESLEY FINANCE LIMITED

Strategic report (continued) for the year ended 31 December 2021

- Leverage – measured by total liabilities divided by total liabilities plus total equity which at the reporting date was 49% (2020: 111%) as the obligations created under the CVA were largely fulfilled during the period.

The KPIs represent important measures for the directors to monitor the performance of the business. The directors review and consider these KPIs on a regular basis, and in board meetings, in order to assess the performance. This enables the Directors to make decisions on the direction of the business.

Post balance sheet events

The Company made a further issuance of 375,684 preference shares at £1 each on 12 July 2022, thereby fulfilling all obligations created under the CVA. The CVA was formally completed on 23 August 2022.

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

Future developments

Following the completion of the CVA, the Company will continue to support its subsidiary Cloverleaf 376 Limited in servicing the loan book until it is fully redeemed. The Company will seek further opportunities to generate revenue as part of a new syndicated lending strategy. The Company commenced new lending during the period under this strategy and the first loan was redeemed in December 2021. The company, and the wider Wellesley group has no plans to raise retail funding and will instead redeploy its capital directly, leveraging existing borrower relationships and syndicated lending partners. The Company aims to continue to grow enduring relationships with high quality borrowers which will enable the Company to build a robust and sustainable loan portfolio.

Principal risks and uncertainties

The principal risks to the Company are as follows:

Credit risk

As a loan participant, the Company's is exposed to the credit risk of its borrowers. For each loan, the Company obtains a legal charge on the assets it is lending against. It is acknowledged that the property market is cyclical and that the Company is operating in a period of the cycle which would be considered as relatively stable which has resulted in favourable conditions for lending. Notwithstanding this, the anticipated withdrawal of government initiatives such as 'Help to Buy', combined with higher interest rates and higher inflation could result in less favourable lending conditions given the impact on purchasers and developers, respectively. The board regularly reassesses its view on the risks presented by the market and also the overall stage of the property cycle.

Market risk

The Company is exposed to the risk that the value of, or income arising from, the Company's assets and liabilities change as a result of changes to interest rates. At the reporting date, the Company did not have any external loans outstanding, although as the new strategy is implemented this risk will become apparent once more.

Reputational risk

The Group had a high level of sensitivity to reputational risks as the Company has recently completed the CVA, and this may inhibit the ability of the company to raise financing for some time and affect the Company's ability to source and manage borrower relationships.

Operational and people risk

Following the restructure, the Company has materially reduced staff numbers and overheads. It therefore has a high dependency on a few key individuals who are retained by other group companies which if not retained could disrupt the operations of the Company.

Liquidity Risk

The Company is exposed to the liquidity risk arising from the requirement to fund its operations. Following the restructuring of the Company, it no longer has access to historic sources of funding from retail investors, and therefore fund-raising capabilities are limited to leveraging and disposing of its assets.

WELLESLEY FINANCE LIMITED

Strategic report (continued)
for the year ended 31 December 2021

The Company monitors its forward cash flow position regularly and the new lending strategy of the Company is focused on direct, syndicated lending that does not include a forward funding obligation and therefore liquidity risk will diminish as the loan book evolves through new vintages of lending.

Risk of potential fraud

As an originator of loan assets, the Company is exposed to possible fraud by borrowers, purported borrowers, their professional advisors such as solicitors, accountants or valuers as well as by employees. Attempted fraud typically involves borrowers, either acting alone or in concert with professional advisors, seeking to obtain funds by adopting a false identity or using a false inflated property valuation or purporting to own a property or seeking a release of security without redeeming the underlying loan. In addition, solicitors could abscond with completion monies, although redress under the indemnity arrangements required by the Solicitors Regulation Authority is normally available in such circumstances.

The Company has in place processes and procedures to counter fraud, and insurance in place providing an indemnity against losses arising from dishonest, fraudulent or malicious acts committed by its staff, outside valuers and outside solicitors. The main risks arising from the Company's financial instruments are detailed in note 25.

Section 172 statement

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

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

The Directors consider its stakeholders to be: (a) the employees of the Company and the wider Wellesley Group; (b) our borrowers; (c) our investors; (d) the UK regulator; and (e) all those that live in the societies we serve.

During the reporting period, the Directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Directors recognise that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values. The Directors are committed to effective engagement with all of its stakeholders.

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

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



Andrew Turnbull
Director

Approved by order of the Board on 29 September 2022

WELLESLEY FINANCE LIMITED

Report of the Director (continued) for the year ended 31 December 2021

The Director presents the Strategic Report, Directors' Report and the Financial statements of Wellesley Finance Limited for the year ended 31 December 2021. The directors of the Company during the year were:

Andrew Turnbull

Garret Graham the Earl of Cowley (Resigned on 06 April 2021)

Results and dividends

The Company's loss after tax for the year was £1.1m (2020: profit £24.2m)

The director does not recommend the payment of a final dividend (2020: £Nil).

Principal activities

The Company is engaged in the provision of finance for medium sized property developers in England and Wales.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are disclosed on pages 3 to 4 in the Strategic report.

Future developments

Following the completion of the CVA, the Company will continue to support its subsidiary Cloverleaf 376 Limited in servicing the loan book until it is fully redeemed. The Company will seek further opportunities to generate revenue as part of a new syndicated lending strategy. The Company commenced new lending during the period under this strategy and the first loan was redeemed in December 2021. The company, and the wider Wellesley group has no plans to raise retail funding and will instead redeploy its capital directly, leveraging existing borrower relationships and syndicated lending partners. The Company aims to continue to grow enduring relationships with high quality borrowers which will enable the Company to build a robust and sustainable loan portfolio.

Post balance sheet events

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

Strategic report

Principal risks and uncertainties and information on the Company's risk management policies are included in the Strategic report.

Going concern

Following the completion of the CVA, and the progress in working out the loan book, the Company's obligations to meet liabilities as they fall due relate solely to the Company's operating expenses which have been materially reduced following the restructuring of the wider Wellesley group.

At the reporting date, the Company had a net asset value of £6m (2020: net liabilities £2.6m) and this is expected to be enhanced as the loan book is repaid to the Company's subsidiary, Cloverleaf 376 Limited, ultimately providing further liquidity for the Company to deploy into new lending opportunities.

After making enquiries, preparing, and reviewing the cashflow forecast and having assessed that sufficient future funding is available to the business to meet its future financial obligations, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. which supports the Director's view that the Company will continue to operate as a going concern.

WELLESLEY FINANCE LIMITED

Report of the Director (continued) for the year ended 31 December 2021

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standard ("IFRS") as adopted in the United Kingdom ("UK adopted IFRS") and applicable law.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted in the United Kingdom ("UK adopted IFRS") and applicable law have been followed; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Auditor

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

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

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

It is proposed to reappoint MHA MacIntyre Hudson as auditor at the Annual General Meeting.



Andrew Turnbull
Director

Approved by the Board of Directors and signed on behalf of the Board on 29 September 2022.

WELLESLEY FINANCE LIMITED

Independent Auditor's Report for the year ended 31 December 2021

Independent Auditor's Report to the Members of Wellesley Finance Limited

Opinion

We have audited the financial statements of Wellesley Finance Limited (the "Company") for the period ended 31 December 2021, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes, 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 as adopted by the United Kingdom (IFRSs).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021, and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs; 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Audited Financial Statements, 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial 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.

WELLESLEY FINANCE LIMITED

Independent Auditor's Report for the year ended 31 December 2021

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, 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

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006 and applicable tax legislation. In addition, we considered compliance with the UK Bribery Act and employee legislation, as fundamental to the Company's operations.
- Reviewing key correspondence with regulatory authorities such as the Financial Conduct Authority, Prudential Regulatory Authority, and Financial Reporting Council.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing the control systems in place and testing the design and implementation of the controls; and
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases

WELLESLEY FINANCE LIMITED

Independent Auditor's Report for the year ended 31 December 2021

the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.



Rakesh Shaunak FCA, CTA
Senior Statutory Auditor

For and on behalf of MHA MacIntyre Hudson
Statutory Auditor
London, United Kingdom
29 September 2022

WELLESLEY FINANCE LIMITED

Statement of Comprehensive Income for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Interest income	5	141	4,970
Interest expense	6	-	(3,824)
Net interest income		141	1,146
Fee and commission income	7	-	1,014
Fee and commission expense	7	-	(863)
Net fee and commission income		-	151
Other income	8	2,874	1,462
Total income		3,015	2,759
Loss on derivatives and other financial instruments at fair value through profit or loss		-	(91)
Gain/(loss) on investment	22	21	-
Loss on listed shares at fair value through profit or loss		(436)	-
Total operating income		2,600	2,668
Administrative expenses	9	(1,323)	(3,115)
Impact of derecognition of creditor liabilities	21	175	37,485
Other expenses	20	(2,508)	(12,823)
(Loss)/profit before tax		(1,056)	24,215
Income tax charge	12	-	-
(Loss)/profit after taxation		(1,056)	24,215
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(1,056)	24,215

The results above are from continuing activities.

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

The accounting policies and notes set out on pages 14 to 28 form an integral part of these financial statements.

WELLESLEY FINANCE LIMITED

Statement of Financial Position as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
<i>Non-current assets</i>			
Investment in listed shares	15	4,049	7,511
Other investments	22	21	-
		4,070	7,511
<i>Current assets</i>			
Cash and cash equivalents	16	1,973	325
Loans and advances to customers	13	63	63
Other receivables	17	5,614	15,307
Total assets		11,720	23,206
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	18	5,312	659
Compromised creditors	21	376	25,173
Total liabilities		5,688	25,832
Net assets		6,032	(2,626)
Equity			
Share capital	23	9,764	50
Accumulated loss		(3,732)	(2,676)
Total equity		6,032	(2,626)

These financial statements were approved by the Board of directors on 29 September 2022 and were signed on its behalf by:



Andrew Turnbull
Director
Company number 08331511

The accounting policies and notes set out on pages 14 to 28 form an integral part of these financial statements.

WELLESLEY FINANCE LIMITED

Statement of Changes in Equity for the year ended 31 December 2021

	Share capital £'000	Accumulated loss £'000	Total equity £'000
Balance at 1 January 2021	50	(2,676)	(2,626)
Total comprehensive income for the year			
Loss for the year	-	(1,056)	(1,056)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,056)	(1,056)
Transactions with owners recorded directly in equity:			
Issue of shares	9,714	-	9,714
Total contribution by owners	9,714	-	9,714
Balance at 31 December 2021	9,764	(3,732)	6,031

	Share capital £'000	Accumulated loss £'000	Total equity £'000
Balance at 1 January 2020	50	(26,891)	(26,841)
Total comprehensive income for the year			
Profit for the year	-	24,215	24,215
Other comprehensive income	-	-	-
Total comprehensive profit for the year	-	24,215	24,215
Balance at 31 December 2020	50	(2,676)	(2,626)

The accounting policies and notes set out on pages 14 to 28 form an integral part of these financial statements.

WELLESLEY FINANCE LIMITED

Statement of Cash Flows for the year ended 31 December 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
(Loss)/profit before taxation	(1,056)	24,215
Adjustments for non-cash items:		
Fair value adjustment following restructure of company	(175)	(37,485)
Interest expense on loans and borrowings	-	3,824
Loss on derivatives and other financial instruments at fair value	-	34
Impairment losses on inter-company balances	2,508	1,881
Recognition of compromised creditors	-	25,173
Write-off of loans and advances	-	9,480
Gain on other investments	(21)	-
Unrealised loss on listed shares	427	-
Loss on translation of foreign currency assets	3	4
	1,686	27,126
Adjustments for working capital items and loans & advances:		
Decrease/(increase) in other assets	7,328	(11,967)
Decrease in other liabilities	4,654	(11,870)
(Increase)/decrease in operating assets	-	19,213
Net cash flows generated from operating activities	13,668	22,502
Cash flows from investing activities		
Investment in listed shares	2,887	(7,511)
Net cash generated from/(used in) investing activities	2,887	(7,511)
Cash flows from financing activities		
Proceeds from interest-bearing loans and borrowings	-	474
Repayment of interest-bearing loans and borrowings	-	(15,810)
Repayment of cash obligations due to compromised creditors	(14,904)	-
Interest payment on loans and borrowings	-	(2,677)
Net cash used in financing activities	(14,904)	(18,013)
Net increase/(decrease) in cash and cash equivalents	1,651	(3,022)
Cash and cash equivalents at the start of the year	325	3,351
Foreign currency revaluation of cash balances	(3)	(4)
Cash and cash equivalents at the end of the year	1,973	325

The accounting policies and notes set out on pages 14 to 28 form an integral part of these financial statements.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2021

1 Nature of operations

Wellesley Finance Limited has re-registered as a private limited Company, limited by shares. It is a provider of finance to medium sized property developers in England and Wales. The Company's registered number is 08331511 and registered office at 483 Green Lanes, London, England, N13 4BS.

2 Basis of preparation

2.1 Accounting basis

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards as adopted in the United Kingdom ("UK adopted IFRS").

The comparative period is the year ended 31 December 2020.

The presentational and functional currency of the financial statements is Pound Sterling and amounts have been rounded to the nearest £1,000.

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

- derivative financial instruments are measured at fair value through profit or loss; and
- loans and advances to customers designated at fair value through profit or loss.

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

2.2 New accounting standards

The company has adopted the new standards and interpretations effective for the period ended 31 December 2021. The impact of these has not been material for the financial statements.

The following new or revised standards are not yet effective for the year ended 31 December 2021 and have not been applied in preparing the financial statements. The Company plans to apply the standards and amendments disclosed below once they become effective.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Company does not expect the standards above to have a material impact on the company.

2.3 Going concern

Following the completion of the CVA, and the progress in working out the loan book, the Company's obligations to meet liabilities as they fall due relate solely to the Company's operating expenses which have been materially reduced following the restructuring of the wider Wellesley group.

At the reporting date, the Company had a net asset value of £6m (2020: net liabilities £2.6m) and this is expected to be enhanced as the loan book is repaid to the Company's subsidiary, Cloverleaf 376 Limited, ultimately providing further liquidity for the Company to deploy into new lending opportunities.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2021

After making enquiries, preparing, and reviewing the cashflow forecast and having assessed that sufficient future funding is available to the business to meet its future financial obligations, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, which supports the Director's view that the Company will continue to operate as a going concern.

3 Significant accounting policies

3.1 Interest income and expense

Interest income and expense is recognised in the statement of profit and loss on an effective interest rate ("EIR") basis in accordance with IFRS 9. The EIR is the rate that, at the inception of the financial asset or liability, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the instrument but does not consider the assets' future credit losses.

The EIR is applied to the Company's portion of the amortised cost of the loan asset. Where a loan asset becomes impaired, the amortised cost of the loan is reduced by the expected loss for income calculation purposes.

At each reporting date, management makes an assessment of the expected remaining life of its financial assets and where there is a change in those assessments the remaining amount of any unamortised discount or premiums is adjusted so that the interest continues to be recognised prospectively on the amortised cost of the financial asset at the original EIR. The adjustment arising is recognised within interest income in the statement of profit and loss of the current period.

The calculation of the EIR includes all transaction costs and fees paid or received that are an integral part of the interest rate, together with the discounts or premium arising on the acquisition of loan portfolios.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

3.2 Fees and commission income

The Company derecognises portions of loans that have been purchased by other parties. The Company acted as an agent on behalf of Peer to Peer ("P2P") customers who had purchased portions of loans and where these P2P customers were fully exposed to the risks and rewards of those portions of loans and advances. As a result, the Company presents its fees and commissions income net.

3.3 Other operating income

Arrangement fees, administration fees and contracted exit fees relating to loans and advances to customers are included within interest income as part of the EIR calculation.

Undrawn fees, legal fees, valuation fees and early access fees which are not considered integral to the EIR are recognised on an accruals basis, in accordance with IFRS 15, when the service has been provided or received.

3.4 Fees payable

Fees and expenses which are costs directly attributable to the issue of a financial instrument (*i.e.* direct promotional costs, legal fees) are included in interest expense as part of the EIR calculation. When they are not incremental costs that are directly attributable, they are recognised within fees as the services are received.

3.5 Financial instruments – recognition and de-recognition

Recognition

The Company initially recognises loans and advances, interest-bearing loans and borrowings issued on the date they are originated, at fair value less transaction costs.

De-recognition

De-recognition of financial assets and liabilities is the point at which an asset or liability is removed from the statement of financial position.

Financial assets are derecognised when:

- the rights to receive cash flows from the assets have ceased; and
- the Company has transferred substantially all the risk and rewards of ownership of the assets.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2021

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised through the statement of profit and loss.

The Company's accounting policy is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially measured at fair value plus transactions costs that are directly attributable to the financial asset. Subsequently, they are measured at amortised cost which is calculated as the NPV of future cashflows, discounted using the original EIR. Loans and receivables mainly comprise loans and advances to customers.

Financial Assets

The Company classifies its financial assets (excluding derivatives) as loans and receivables and financial instruments that are measured at fair value.

The Company recognises its portion of each sterling denominated loan and advance originated on its statement of financial position. As for the remaining portion of originated loans and advances, the Company acts solely as an agent on behalf of P2P customers who are fully exposed to the risks and rewards of these loans and advances. The remainder of each sterling denominated loan and advance is held "off balance sheet".

Expected Credit Losses ("ECL") – Development loan portfolio

IFRS 9 introduces a three-stage model for impairment based on changes in credit quality since initial recognition with each stage representing a change in the credit risk of financial instrument. If a significant increase in credit risk is identified, the financial instrument is moved from stage one to two but is not yet deemed to be credit impaired. Financial instruments that are deemed to be credit impaired are then moved to stage three. The expected credit loss for financial instruments which are in stage one equals to the portion of lifetime expected credit losses that result from default events within the next twelve months. The expected credit loss for financial instruments in stages two and three is equal to the expected lifetime credit losses.

Wellesley consider that the primary trigger of a significant increase in its credit risk is where the internal credit rating, decreases by 2 rating categories since initial recognition. The borrowers to whom the loans purchased were originally made to are not rated by external agencies, and so internal ratings are the most appropriate key drivers.

ECL's are calculated in a way that reflects:

- An unbiased and probability weighted amount that evaluates several potential outcomes, including scenarios where a loss does and does not occur, and based on the maximum contractual period (including extension options) that Wellesley is exposed to credit risk. For undrawn loan commitments, Wellesley's ability to demand repayment and cancel the undrawn commitment does not limit the exposure of credit losses to the notice period;
- The time value of money; and
- Reasonable and supportable information, available without undue cost or effort, about past events, current conditions and future economic conditions.

On an on-going basis the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Expected Credit Losses ("ECL") – Inter-company receivables

Inter-company loans provided by the Company to other group entities are repayable on demand and do not carry an interest rate. For the calculation of the ECL, Wellesley need to consider the ability of these entities to repay the debt at the reporting date and, if this is not likely, what the debt recovery plan would be. The Company has no intention of calling this debt in the foreseeable future.

Following the implementation of the CVA, and the restructure that followed, the provision made against inter-company loans to other entities in the group were increased to fully impair amounts owed from entities that have no further means to repay. Therefore, the 31 December 2021 year end provision was £20.35m (2020: £17.85m), an increase of £2.51m.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2021

Financial Liabilities

Financial liabilities are contractual obligations to deliver cash or another financial asset.

Financial liabilities at amortised cost are recognised initially at fair value, which equates to issue proceeds net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit and loss over the period of the borrowings using the EIR method.

Interest-bearing loans and borrowings issued by the Company are assessed as to whether they should be treated as equity or financial liabilities. Where there is a contractual obligation to deliver cash or other financial assets, they are treated as a financial liability and measured at amortised cost using the EIR after taking account of any discount or premium on the issue and directly attributable costs that are an integral part of the EIR. The amount of any discount or premium is amortised over the period to the expected call date of the instrument. All interest-bearing loans and borrowings issued by the Company are classified as financial liabilities at amortised cost.

3.6 Financial instruments and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide a fair value on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate all the factors that market participants would take into account in pricing a transaction.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration received or given.

3.7 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities held at the statement of financial position date are translated into sterling at the exchange rates ruling at the statement of financial position date. Non-monetary assets carried at historical cost should be reported using the exchange rate at the date of the transaction.

Non-monetary assets carried at fair value should be reported at the rate that existed when the fair values were determined.

Exchange differences are charged or credited to the statement of income.

3.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in equity through other comprehensive income.

Current tax

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

Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2021

Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3.9 Equity instruments

The Company classifies instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Company to deliver cash or other financial assets or to exchange financial asset or financial liabilities with another party under conditions that are potentially unfavourable to the Company, or where the instrument will or may be settled in the Company's own equity instruments but includes no obligation to deliver a variable number of the Company's own equity instruments then it is treated as an equity instrument. Accordingly, the Company's share capital is presented as a component of equity within shareholders' funds. Any dividend or other distributions on equity instruments are recognised in equity. Related income tax is accounted for in accordance with IAS 12.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balance and bank balances with a maturity of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4 Critical accounting estimates and judgements

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

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

The following are deemed to be judgements:

IFRS 9 – business model assessment

IFRS 9 requires the Company to determine how to classify its loan assets in the context of its business model for managing those loans assets to generate cash flows.

This business model assessment is determined at a level that reflects how the group of loan assets (rather than intentions for an individual loan) are managed together to achieve its business objective. While this may need determining at the entity level (as the Company may have several business models for differing assets), the Company considers that all loans should be grouped together under one business model, as all loans are originated and managed for the same purpose, to generate cash flows of interest, fees and returns of principal.

The Company considers it integral to the business objective that portions of originated loans are sold to other parties, while also maintaining a portion for itself. This is because it facilitates the opening of differing funding sources. Therefore, without the differing funding streams that Wellesley open by selling portions of its loans, it would not be able to meet its business objectives.

IFRS 9 gives further guidance on areas that might help support a business model assessment and include: (a) the level at which the business model is assessed and reported; (b) the risks affecting performance of the business model and how they are managed; and (c) how managers of the business are compensated. In addition to these,

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Notes forming part of the financial statements (continued) for the year ended 31 December 2021

the Company also included the following considerations in assessing their business model: (a) how performance of the business is evaluated and reported; (b) the primary business objective; and (c) the level and driver of sales.

When reviewing all of these factors, the Directors have assessed that the business model for holding loan assets is, for accounting purposes, to both collect contractual cash flows and to sell financial assets. This assessment then requires the Company to measure its loan asset portfolio at Fair value through other comprehensive income ("FVTOCI") rather than Fair value through profit and loss ("FVTPL").

The fair value of the Company's loan assets is difficult to assess because they are not publicly traded and there is not a highly liquid secondary market on which to obtain prices. In addition, loans are normally issued to support bespoke developments and so benchmarking the loans against loans on similar developments in similar locations is very challenging.

Ultimately the value of the loan asset depends on the ability of the borrower to repay the principal, fees, and interest as well any expenses suffered on their behalf which have been added to the loan balance. The Company's experience is that there is only a movement in the fair value of the loan where there is a risk that Company does not receive full repayment of all amounts it is due. When this is the case, a provision for an expected credit loss would be recognised, with a corresponding FV adjustment made to the value of the loan.

IFRS 9 states that for assets measured at FVTOCI, the amount recognised in the P&L should be the same as the amounts that would have been recognised if accounted for at amortised cost. In that sense, the fair value of loans will be equal to the NPV of the expected future cash-flows, discounted using the initial EIR of the loan.

What this means for the financial statements is that any provisions made for expected credit losses no longer appear in the statement of profit and loss account, and instead appear in the statement of other comprehensive income. If the expected loss crystallises into an actual loss, then the loss is recognised through the statement of profit and loss, with the provision for expected credit losses reversed from the statement of other comprehensive income.

EIRs

IFRS 9 requires interest earned/incurred from loans and advances/financial liabilities to be measured under the EIR method. Management must therefore use judgement to estimate the expected life of each instrument and hence the expected cash flows relating to it. The carrying value of loans and advances/financial liabilities would therefore be affected by unexpected market movements resulting in altered customer behaviour models used to compare to actual outcomes and incorrect assumptions. Transaction costs should be incorporated in the EIR method. Management identifies these costs as those which relate directly to acquiring the loan and advance/financial liabilities as transaction costs.

ECLs

On an on-going basis the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

Balances owed by group undertakings

The Company is owed £25.5m (2020: £31.9m) from other group companies. Of this amount, £20.6m (2020: £21.3m) is due from group holding entities whose assets are investments in various subsidiaries. Therefore, it might appear that there is an uncertainty as to whether these balances will be recoverable. These inter-company debts are repayable on demand, but the Directors have no plans to demand repayment in the foreseeable future.

The Company continues to fund the wider group's expenses as it is the main operating entity in the structure. All expenses paid (most of which are payroll related) are for the ultimate benefit of the Group and are considered to add corporate value. There are various initiatives in place to ensure that all entities are appropriately funded, and these are being actively reviewed. In the absence of such plans coming to fruition, the ultimate repayment will need to be through a future liquidity event.

Notwithstanding this assessment, IFRS 9's implementation requires the Directors to make an assessment as to what potential future losses could be suffered. Following the completion of the CVA, and the restructure that followed, the provision made against inter-company loans to other entities in the group were increased to impair

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Notes forming part of the financial statements (continued) for the year ended 31 December 2021

amounts owed from entities that have no further means to repay. Therefore, the original 31 December 2020 year end provision of £17.85m was increased to £20.35m in 2021.

Acting as agent

The Company acted as agent on behalf of its P2P investors. Management apply the EIR method in calculating the fee and commission income and expense for acting as agent.

5 Interest income

	2021 £'000	2020 £'000
Interest income	141	4,970

The Company derives its' interest income from providing finance to its borrowers. The interest is calculated on an effective interest rate ("EIR") basis in accordance with IFRS 9 and recognised in the period in which it occurs.

6 Interest expense

The Company incurs its' interest expense interest bearing loans and borrowings. The interest is calculated on an effective interest rate ("EIR") basis in accordance with IFRS 9 and recognised in the period in which it occurs. Interest expense consists of cost of capital raised by the Company in order to fund its operating activities. During the reporting period the Company incurred nil costs (2020: £3.82m) on Mini-Bond funding.

7 Fee and commission income/expense

	2021 £'000	2020 £'000
Income on loans and advances to customers - agent	-	1,014
Fee expense on Peer-to-Peer capital - agent	-	(863)
	-	151

8 Other income

	2021 £'000	2020 £'000
Servicing fees	1,378	496
Exit fee	-	734
Other income	1,496	232
	2,874	1,462

9 Administrative expenses

	Note	2021 £'000	2020 £'000
Staff costs	10	197	609
Advertising & marketing		-	495
Legal & professional		1,017	900
Loss on translation of foreign currency assets		3	4
Management charge	25	-	890
Other administrative expenses		106	217
		1,323	3,115

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Notes forming part of the financial statements (continued)
for the year ended 31 December 2021

10 Staff costs

Staff cost have been allocated per department as follows:

	2021 £'000	2020 £'000
<i>Wages and salaries</i>		
Central functions	25	-
Credit operations	18	138
Loan origination	125	374
	168	512
Social security costs	21	71
Pension costs	7	17
Employee benefits	1	9
	197	609

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

	2021	2020
Credit operations	-	3
Loan origination	1	3
	1	6

The Company's Directors are remunerated by Wellesley Group Limited, the parent of the Company.

11 Auditor's remuneration

	2021 £'000	2020 £'000
Auditor's remuneration for audit of financial statements	40	69

12 Taxation

	2021 £'000	2020 £'000
Recognised in the Statement of Comprehensive Income	-	-
Current tax	-	-
Deferred tax	-	-
Total tax charge	-	-

Reconciliation of tax charge:

Profit on ordinary activities before tax	(1,056)	24,215
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2020: 19%)	(201)	4,601
<i>Effects of:</i>		
Expenses not deductible	-	838
Income not taxable for tax purposes	-	(7,122)
Tax rate changes	-	(128)
Effects of group relief/other reliefs	201	-
Deferred tax not recognised	-	1,811
Total tax charge/(credit)	-	-

Deferred tax assets in respect of accumulated tax losses have not been recognised as the Company is unable to determine whether those losses will be relieved with any certainty. The Company has accumulated losses of £29,045k (2020: £27,989k).

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Notes forming part of the financial statements (continued) for the year ended 31 December 2021

13 Loans and advances to customers

	2021 £'000	2020 £'000
Gross loan receivables	104	104
Less: expected credit loss	(41)	(41)
	63	63
<i>Amounts falling due:</i>		
Within one year	63	63
In the second to fifth year inclusive	-	-
	63	63

14 Expected credit loss on loans and advances to customers

The movement in expected credit loss in respect of loans during the year was as follows:

	2021 £'000	2020 £'000
At the beginning of the year	41	12,394
Charge for expected credit loss	-	41
Derecognition of loan book	-	(12,394)
At the end of the year	41	41

The expected credit loss is made against loans and advances to customers. The provision is estimated to be realised in the next twelve months.

15 Investment in listed shares

No. of shares	Listed Entity	MtM Price Per Share (Pence)	2021 Book Value (£,000)
17,796,173	Time Finance plc	0.2275	4,049
No. of shares	Listed Entity	MtM Price Per Share (Pence)	2020 Book Value (£,000)
4,463,511	Urban Exposure plc	0.6800	3,035
17,796,173	Time Finance plc	0.2515	4,476
			7,511

In June 2021, Urban Exposure plc cancelled the admission of their ordinary shares to trading on AIM and the implemented a solvent members' voluntary liquidation. The Company received disposal and liquidation proceeds totalling £2.9m during the period. The residual investment in Urban Exposure plc is recognised as a receivable at cost, see note 17 for further details.

16 Cash and cash equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	2021 £'000	2020 £'000
Cash at bank & in hand	1,973	325

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Notes forming part of the financial statements (continued) for the year ended 31 December 2021

17 Other receivables

	2021 £'000	2020 £'000
Other receivables	186	138
Prepayments	232	1,099
Amounts owed by group undertakings	5,196	14,070
	5,614	15,307

The amounts owed by group undertakings of £5.2m (2020: £14m) are net of an expected credit loss of £20.35m (2020: £17.85m), following an assessment of the recoverability of those inter-company balances now that the CVA is effective.

Other receivables include £139k (2020: nil) representing proceed expected to be received from the liquidation of Urban Exposure plc following the cancellation of the listed shares.

The amounts owed from by group undertakings are unsecured, have no fixed repayment date and are interest free.

18 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	11	-
Accruals and deferred income	49	169
Other payables	-	7
Amounts owed to group undertakings	5,252	483
	5,312	659

The amounts owed to group undertakings are unsecured, have no fixed repayment date and are interest free.

19 Interest-bearing loans and borrowings

	2021 £'000	2020 £'000
At the beginning of the year	-	97,814
Issued in the year	-	-
Redeemed in the year	-	(15,810)
Net accrued interest movement	-	1,147
Transaction costs, net	-	474
Derecognition of interest-bearing loans and borrowings under CVA	-	(83,625)
At the end of the year	-	-
Due within one year	-	-
Due over one year	-	-
	-	-

No interest-bearing loans and borrowings are outstanding at the reporting date following the Company's Voluntary Arrangement ("CVA").

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Notes forming part of the financial statements (continued) for the year ended 31 December 2021

20 Other expenses

	2021 £'000	2020 £'000
Impairment of loans and advances to customers	-	(41)
Write-off of loans and advances to customers	-	9,480
Write-off of group intercompany debt	-	882
Write-off of affiliate company debt	-	621
Impairment of inter-company assets	2,508	1,881
	2,508	12,823

21 Compromised creditors

	2021 £'000	2020 £'000
Derecognition of interest-bearing loans and borrowings under CVA	-	(83,625)
Amounts payable to secured creditors from loan book sale	-	21,257
Compromised creditor obligations created under CVA	-	25,005
Impact of derecognition of non-critical trade creditor liabilities	-	(122)
Impact of derecognition of creditor liabilities	-	37,485
	-	-

Breakdown of Compromised Creditors

Obligation to issue preferred shares	376	10,191
Obligation to make cash distributions	-	14,814
	376	25,005
Obligation to make cash distributions to non-critical trade creditors	-	168
	376	25,173

As described the Post Balance Sheet events section in note 28, the Company made a further issuance of 375,684 preference shares at £1 each on 12 July 2022, thereby fulfilling all obligations created under the CVA. The CVA was formally completed on 23 August 2022.

22 Other investments

During the reporting period, the Company acquired 0.1% membership interest in Generator (Chocolate Factory) LLP registration number OC385309 registered in England & Wales.

At the reporting date, other investments consist of membership interest from Generator (Chocolate Factory) LLP of £21k (2020: nil)

23 Share capital

	2021 £'000	2020 £'000
50,000 issued ordinary shares at £1 each (2020: 50,000)	50	50
9,713,644 preference shares at £1 each (2020: 'nil')	9,714	-
	9,764	50

The 50,000 ordinary shares at £1 each are fully paid up at the year end.

The ordinary shares have full voting, dividend and capital distribution (including winding up) rights and are not redeemable.

During the period the Company issued 9,713,644 preference shares at £1 each (2020: 'nil'). The share capital of the company was increased to £9,764k (2020: £50k).

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2021

The preference shares have no voting rights and no dividend entitlement. The preference shares have a priority on distribution of capital (including winding up) and are redeemable.

The only reserves at the year-end are the retained earnings which represent all retained profits and losses.

24 Financial instruments

The following tables summarise the classification and carrying amounts of the Company's financial assets and liabilities:

2021	Fair value through profit or loss £'000	Assets/liabilities at amortised cost £'000	Total £'000
Loans and advances to customers	-	63	63
Cash and cash equivalents	-	1,973	1,973
Investment in listed shares	4,049	-	4,049
Other assets	-	418	418
Other investments	-	21	21
Amounts owed by group undertakings	-	5,196	5,196
Total financial assets	4,049	7,671	11,720
Compromised creditors	-	376	376
Other payables	-	60	60
Amounts owed to group undertakings	-	5,252	5,252
Total financial liabilities	-	5,688	5,688

2020	Fair value through profit or loss £'000	Assets/liabilities at amortised cost £'000	Total £'000
Loans and advances to customers	-	63	63
Cash and cash equivalents	-	325	325
Investment in listed shares	7,511	-	7,511
Other assets	-	1,237	1,237
Amounts owed by group undertakings	-	14,070	14,070
Total financial assets	7,511	15,695	23,206
Compromised creditors	-	25,173	25,173
Other payables	-	176	176
Amounts owed to group undertakings	-	483	483
Total financial liabilities	-	25,832	25,832

Fair values of financial assets and financial liabilities are based on quoted market prices. If the market is not active, the Company establishes a fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis. The objective of valuation techniques is to determine the fair value of the financial instrument at the reporting date as the price that would have been agreed between active market participants in an arm's length transaction.

For financial liabilities held at fair value, the Company takes into account changes in credit risk and other observable data in order to reflect the measurement of financial liabilities.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (*i.e.* as prices) or indirectly (*i.e.* derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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Notes forming part of the financial statements (continued) for the year ended 31 December 2021

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using valuation techniques.

The following table provides an analysis of financial assets and liabilities held on the statement of financial position at fair value, into Level 1 to Level 3 based on the degree to which the fair value is observable:

2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Investment in listed shares	4,049	-	-	4,049
Total financial assets	4,049	-	-	4,049

2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Investment in listed shares	7,511	-	-	7,511
Total financial assets	7,511	-	-	7,511

25 Risk management

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

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

Credit risk

As a loan participant, the Company's is exposed to the credit risk of its borrowers. For each loan, the Company obtains a legal charge on the assets it is lending against. It is acknowledged that the property market is cyclical and that the Company is operating in a period of the cycle which would be considered as relatively stable which has resulted in favourable conditions for lending. The board regularly reassesses its view on the risks presented by the market and also the overall stage of the property cycle.

The Company's maximum exposure to credit risk after provisions for impairment is as follows:

	2021 £'000	2020 £'000
Financial assets		
Cash and cash equivalents	1,973	325
Loans and advances to customers	63	63
Other receivables	5,614	15,307
	7,650	15,695
 Contractual commitments	 -	 14,982
Total credit risk	7,650	30,677

Contractual commitments represent the cash distribution obligations created under the CVA which were fulfilled during the period.

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Notes forming part of the financial statements (continued) for the year ended 31 December 2021

Liquidity risk

The Company is exposed to the liquidity risk arising from the requirement to fund its operations. Following the restructuring of the Company, it no longer has access to historic sources of funding from retail investors, and therefore fund-raising capabilities are limited leveraging and disposing of its assets.

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

At 31 December 2021	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years
	£'000	£'000	£'000	£'000
Trade payables	11	-	-	-
Accruals and deferred income	49	-	-	-
Amounts owed to group undertakings	5,252	-	-	-
	5,312	-	-	-

At 31 December 2020	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years
	£'000	£'000	£'000	£'000
Accruals and deferred income	169	-	-	-
Other payables	7	-	-	-
Amounts owed to group undertakings	483	-	-	-
Obligation to make cash distributions to compromised creditors	-	14,982	-	-
	659	14,982	-	-

The Company monitors its forward cash flow position regularly.

Market risk

Market risk is the risk that the value of, or income arising from, the Company's assets and liabilities change as a result of changes in market prices, the principal element being the interest rate risk.

The Company has minimal foreign currency exposure and engages in hedging strategies to minimise risk.

Interest rate risk

Interest rate risk is the risk of loss arising from adverse movements in market interest rates. Interest rate risk arises from lending activity. In particular, changes to interest rates could potentially impact the value of the properties to which loans and advances of the Company are typically secured against. However, no such loans and advances were outstanding at the reporting date.

Basis risk

Basis risk is the risk of loss arising from changes in the relationship between interest rates which have similar but not identical characteristics. The Company has no exposure to floating rate instruments, although the Company's forecasts and plans take account of the risk of interest rate changes and are prepared and stressed accordingly.

Foreign exchange risk

Foreign exchange risk is the risk that the value of, or net income arising from, assets and liabilities changes as a result of movements in exchange rates. The Company has low levels of foreign exchange risk which are immaterial so not hedged. Historically, the Company has managed this risk through the use of cross-currency derivatives and closely monitors foreign currency exposure. The table below sets out the Company's exposure to foreign exchange risk:

Assets and liabilities in euros at sterling carrying values	2021	2020
	£'000	£'000
Loans and advances to customers	-	-
Cash and cash equivalents	71	11
Net position	71	11

The Company estimates that a 2% movement in the value of the euro would have the following impact on the statement of financial position values:

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Notes forming part of the financial statements (continued) for the year ended 31 December 2021

- Euro strengthened by 2%: +£1,447 (2020: +£216)
- Euro weakened by 2%: (£1,390) (2020: (£208))

Capital risk

The Company's objective is to maintain a strong capital base to support its current operations in line with relevant forecasts. Capital base for these purposes comprises shareholders' equity plus interest-rate bearing loans and borrowings. The details are below:

	2021 £'000	2020 £'000
Share capital	9,764	50
Accumulated loss	(3,732)	(2,676)
Total capital base	6,032	(2,626)

The Company is not subject to external regulatory capital requirements.

26 Related party transactions

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

The balances (prior to provisions for impairment) with fellow subsidiaries of Wellesley Group Investors Limited:

	2021 £'000	2020 £'000
Amounts owed by fellow subsidiaries	3,574	9,349
Amounts owed by parent	1,352	1,303
Amounts owed by ultimate parent	20,624	21,263
Amounts owed to fellow subsidiaries	(5,252)	(483)
	20,298	31,433

27 Ultimate controlling party

Wellesley Group Limited, a company incorporated in England, is the immediate parent of the Company. Wellesley Group Investors Limited, parent of Wellesley Group Limited, prepares consolidated financial statements which includes the results of the Company for the year. All entities are registered at 483 Green Lanes, London, England, N13 4BS.

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

28 Events after the statement of financial position date

Non-adjusting post balance sheet events

The Company made a further issuance of 375,684 preference shares at £1 each on 12 July 2022, thereby fulfilling all obligations created under the CVA. The CVA was formally completed on 23 August 2022.

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