

WELLESLEY FINANCE LIMITED

Unaudited Filleted Financial Statements
for the year ended 31 December 2022

Company Number 08331511

SATURDAY



ACD4TQ9E

A04

30/09/2023

#143

COMPANIES HOUSE

WELLESLEY FINANCE LIMITED

Contents of the Financial Statements for the year ended 31 December 2022

Contents

Page:

- | | |
|---|-----------------------------------|
| 1 | Company Information |
| 2 | Statement of Financial Position |
| 4 | Notes to the Financial Statements |

WELLESLEY FINANCE LIMITED

Company Information

Directors

Andrew Turnbull

Registered Office

483 Green Lanes, London, N13 4BS

Company Registration Number

08331511

Bankers

Barclays, Leicester, Leicestershire, LE87 2BB

Legal Advisers

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

WELLESLEY FINANCE LIMITED

Statement of Financial Position as at 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
NON-CURRENT ASSETS			
Other investments	5	11	4,070
CURRENT ASSETS			
Loans and advances to customers	6	-	63
Other debtors	7	11,394	5,614
Cash and cash equivalents	8	153	1,973
TOTAL ASSETS		11,558	11,720
CURRENT LIABILITIES			
Creditors	9	2,874	5,689
TOTAL LIABILITIES		2,874	5,689
NET ASSETS		8,684	6,031
Equity			
Share capital	10	10,139	9,764
Reserves	11	(1,455)	(3,733)
Total equity		8,684	6,031

The issued share capital at the end of the current and preceding year totals £1, but as the financial statements are presented in £'000s it is rounded down to zero.

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2021.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2021 in accordance with Section 476 of the Companies Act 2006.

The director acknowledges his responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006; *and*
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

WELLESLEY FINANCE LIMITED

Statement of Financial Position as at 31 December 2022

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

These financial statements were approved by the Board of directors on 29 September 2023 and were signed on its behalf by:



Andrew Turnbull
Director
Company number 08331511

The accounting policies and notes set out on pages 4 to 10 form an integral part of these financial statements.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2022

1 STATUTORY INFORMATION

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

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The comparative is for the year ended 31 December 2021.

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

The Company has taken the exemption from preparing a statement of Cash Flows and Statement of Changes in Equity in accordance with section 1A paragraph 1A.7. Wellesley Group Investors Limited, registration number 08478238 registered office at 483 Green Lanes, London, N13 4BS, is the immediate and ultimate parent company, which prepares consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated accounts of the ultimate parent.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Note 4.

The particular accounting policies adopted by the Director are described below and have been applied consistently year on year.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Interest income

Interest income is recognised in the statement of profit and loss on an effective interest rate ("EIR"). 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.

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.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2022

Interest income and expense presented in the income statement include interest on financial assets and financial liabilities measured at amortised cost calculated on an EIR basis.

3.2 Financial instruments

The Company initially recognises loans and advances issued on the date they are originated, at present value of the future cash flows less transaction costs. De-recognition of financial assets is the point at which an asset 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.

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 income statement.

Financial Assets

The Company classifies its financial assets as loans and receivables.

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 and that the Company does not intend to sell immediately or in the near term. These are initially measured at present value of the future cash flows less transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at amortised cost using the EIR. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount less impairment provisions for incurred losses. Loans and receivables mainly comprise loans and advances to customers.

Impairment

Impairment is recognised on the basis of objective evidence. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

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.

The criteria that the Company uses to determine that there is objective evidence of impairment loss include, but not limited to, the following:

- delinquency in contractual payments of principal or interest;
- cash flow or other trading difficulties experienced by the borrower;
- initiation of bankruptcy proceedings; and
- change in market value of assets.

The Company's portion of the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement.

When a financial asset is uncollectible, it is written off against the related provision for impairment. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for impairment in the income statement. Allowances for impairment losses are released at the point when it is deemed that, following a subsequent event, the risk has reduced such that an allowance is no longer required.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2022

3.3 Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3.4 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.

3.5 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.

3.6 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.

4 USE OF ESTIMATES AND JUDGEMENTS

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

Estimates and assumptions 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.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2022

The following are deemed to be judgements:

Balances owed by group undertakings

During the reporting period, the Group collapsed opposing intercompany assets and liabilities to reduce operational complexity and simplify the reporting of such assets and liabilities in each group company, further details are provided in note 12.

The Company is owed £11.4m from other group companies (2021: £25.5m) following the collapse of the Group's intercompany assets and liabilities, the recharge of group expenses and the write-off of loans to the Company's parent and ultimate parent which related to the funding of group expenses prior to the Company's restructuring in 2020 and was anticipated as part of the restructuring.

Amounts owed by group undertakings are repayable on demand, but the Director has no plans to demand repayment in the foreseeable future, notwithstanding this, the amounts owed are expected to be fully recovered.

5 OTHER INVESTMENTS

	2022 £'000	2021 £'000
Investment in listed shares	-	4,049
Membership interests	11	21
Investment in group undertakings	-	-
	11	4,070

At the reporting date, membership interests consist of Company's share of The Chocolate Factory Bristol LLP of £11k (2021: £21k). During the reporting period, the Company received a distribution of profit of £9k (2021: Nil) from the Company's 0.1% share of membership interests in The Chocolate Factory Bristol LLP.

Investment in group undertakings relates to share capital in Company's fully owned subsidiary Cloverleaf 376 Limited of £1 (2021: £1)

6 LOANS AND ADVANCES TO CUSTOMERS

	2022 £'000	2021 £'000
Gross loan receivables	-	104
Less: expected credit loss	-	(41)
	-	63

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

	2022 £'000	2021 £'000
At the beginning of the year	41	12,394
Charge for expected credit loss	-	41
Derecognition of loan book	(41)	(12,394)
At the end of the year	-	41

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2022

7 OTHER DEBTORS

	2022 £'000	2021 £'000
Other receivables	-	186
Prepayments	-	232
Amounts owed by group undertakings	11,394	5,196
	11,394	5,614

At the reporting date, amounts owed by group undertakings were £11,394k (2021: £5,196k) following the collapse of the Group's intercompany assets and liabilities, the recharge of group expenses and the write-off of loans to the Company's parent and ultimate parent which related to the funding of group expenses prior to the Company's restructuring in 2020 and was anticipated as part of the restructuring. Further details are provided in note 12.

The amounts owed by group undertakings are unsecured, have no fixed repayment date and are non-interest bearing.

8 CASH AND CASH EQUIVALENTS

	2022 £'000	2021 £'000
Cash at bank & in hand	153	1,973

9 CREDITORS

	2022 £'000	2021 £'000
Trade payables	31	11
Accruals and deferred income	49	50
Other payables	2	-
Amounts owed to group undertakings	2,792	5,252
Compromised creditors	-	376
	2,874	5,689

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

The amounts relating to compromised creditors were in relation to Company's obligation to issue preferred shares. 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. Please refer to note 10 for further details.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2022

10 SHARE CAPITAL

	2022 £'000	2021 £'000
50,000 issued ordinary shares at £1 each (2020: 50,000)	50	50
10,089,328 preference shares at £1 each (2021: 9,713,644)	10,089	9,714
	10,139	9,764

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.

As described in note 9, during the period the Company issued 375,684 preference shares at £1 each (2021: issued 9,713,644 preference shares at £1 each). The share capital of the company was increased to £10,139k (2021: 9,764k).

The preference shares have no voting rights and no dividend entitlement. The preference shares have a priority ranking in the event of liquidation subject to a hurdle. The preference shares are redeemable.

11 RESERVES

	Retained earnings £'000
Balance at 1 January 2022	(3,733)
Profit for the year	2,278
Balance at 31 December 2022	(1,455)

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

12 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:

	2022 £'000	2021 £'000
Amounts owed by fellow subsidiaries	11,394	3,574
Amounts owed by parent	-	1,352
Amounts owed to parent	(2,317)	-
Amounts owed by ultimate parent	-	20,624
Amounts owed to fellow subsidiaries	(475)	(5,252)
	8,602	20,298

During the reporting period, the Company generated loan servicing fee income of £935k (2021: £1,378k) which is owed by the Company's subsidiary, Cloverleaf 376 Limited.

During the reporting period, the Company received a distribution of profit of £9k (2021: nil) from the Company's 0.1% share of membership interests in The Chocolate Factory Bristol LLP.

During the reporting period, the Company wrote off amounts of £1,261k owed by its parent company, Wellesley Group Limited and £15,121k owed by its ultimate parent company (Wellesley Group Investors Limited) both of which related to the funding of group expenses prior to the Company's restructuring in 2020 and was anticipated as part of the restructuring.

WELLESLEY FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2022

The write-off of the amount owed by the parent company resulted in an expense of £1,261k (2021: nil) being recognised in the income statement and a corresponding reduction in the assets of the Company (2021: nil).

The write-off of the amount owed by the ultimate parent company resulted in an expense of £15,121k (2021: nil) and a release of the related provision of £20,353k which resulted in a gain being recognised in the income statement.

The net impact of the write-offs of amounts owed by group companies and provision release was a net gain of £3,971k.

During the reporting period, the Group collapsed opposing intercompany assets and liabilities to reduce operational complexity and simplify the reporting of such assets and liabilities in each group company.

During the reporting period, the Company's parent (Wellesley Group Limited) and ultimate parent (Wellesley Group Investors Limited) recharged a portion of administrative expenses incurred since the restructuring of the Company to align with the income generated from such activities, principally the loan servicing fee income generated by the Company. The recharge of expenses to the Company was £241k (2021: nil) from the ultimate parent company and £2,158k (2021: nil) from the parent company.

13 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.

14 ADOPTION OF NEW REPORTING FRAMEWORK

These financial statements, for the year ended 31 December 2022, are the first the Company has prepared in accordance with FRS 102. For periods up to and including the year ended 31 December 2021, the Company prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS").

Accordingly, the Company has prepared financial statements that comply with FRS 102 applicable as at 31 December 2022, together with the comparative period data for the year ended 31 December 2021, as described in the summary of significant accounting policies.

There were no adjustments required to the Company's opening statement of financial position as at 1 January 2021, the date of transition to FRS 102, the financial statements as of, and for the year ended 31 December 2021.