

WELLESLEY BRIDGING CO LIMITED

Annual Report and Financial Statements
for the year ended 31 December 2020

Company Number 09592003



WELLESLEY BRIDGING CO LIMITED

Report and financial statements for the year ended 31 December 2020

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WELLESLEY BRIDGING CO LIMITED

Officers and advisers

Director

Andrew Turnbull

Registered Office

483 Green Lanes, London, England, N13 4BS

Company Registration Number

09592003

Auditors

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

Bankers

Barclays, Leicester, Leicestershire, LE87 2BB

Legal Advisers

Howard Kennedy LLP, 1 London Bridge, London, SE1 9BG

WELLESLEY BRIDGING CO LIMITED

Strategic Report for the year ended 31 December 2020

The Director presents the Strategic report, Director's report and the Financial statements of Wellesley Bridging Co Limited for the year ended 31 December 2020. The Director of the Company during the year was that listed on page 1.

Overview

Wellesley Bridging Co Limited (the "Company") was established to provide bridging finance to the property development market.

Operating and Financial Review

The Company generated £93k (2019: £217k) of interest income during the period and incurred interest expense of £362k (2019: nil) meaning that net interest expense for the period was £269k (2019: net interest income of £217k). The Company incurred £75k (2019: £16k) of administration expenses. The Company made a loss after tax for the year of £344k (2019: a profit after tax of £205k).

Business Review

The Director is pleased with the ongoing performance of the Company.

The Company's total assets at 31 December 2020 were £2.5m (2019: £2.8m) due principally to the reduction in net income on accrued interest on loans and advances.

The Company's total liabilities at 31 December 2020 were £2.3m (2019: £2.3m) due to movements on amounts owed to related parties and accruals.

The Company's net assets at 31 December 2020 were £230k (2019: £575k) due principally to the reduction in income on accrued interest on loans and advances.

Principal risks and uncertainties

The principal risks to the Company are as follows:

Liquidity risk

The Company is exposed to the liquidity risk arising from the requirement to fund its operations. Liquidity risk is the risk arising from unplanned decreases or changes in funding sources. The Company regularly reviews its forward cashflow and ensures it matches its assets and liabilities.

Credit risk

The Company is exposed to the credit risk arising from lending. The Company has made a loan to a director of a fellow group company and it has a charge over the proceeds of the sale of a property owned by the director of a fellow group company. An oversight committee of independent non-executive directors of Wellesley Group Investors Limited regularly convenes to monitor the director's loan.

The Director is of the view that the loan continues to be a performing loan and shows no indication of impairment. The Director continues to monitor the sales process of the underlying property and expects that this will develop to a sale in the near future.

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 Director also takes into account the following:

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

The Director considers its stakeholders to be: (a) the wider Wellesley Group; (b) borrowers; (c) investors; and (d) all those that live in the societies we serve.

WELLESLEY BRIDGING CO LIMITED

Strategic Report (continued) for the year ended 31 December 2020

During 2020, the Director gave careful consideration to the factors set out above in discharging his duties under section 172. The Director recognises that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values. The Director is committed to effective engagement with all of its stakeholders.



Andrew Turnbull
Director

Approved by order of the Board on 30 September 2021

WELLESLEY BRIDGING CO LIMITED

Report of the Director for the year ended 31 December 2020

Results and dividends

The Company's loss before taxation for the year was £344k (2019: a profit before tax of £201k). There was no taxation charge for the year (2019: £4k).

The director does not recommend the payment of a final dividend (2019: £Nil).

Principal activities

The Company is engaged in the provision of lending services.

Principal risk and uncertainties

The principal risks, including financial risk management, and the management of these risks are detailed in the Strategic Report on page 2.

Post balance sheet events

Post balance sheet events are detailed in note 15 on page 19.

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

Going concern

The financial statements are prepared on a going concern basis, as the director has considered financial projections for the two years from the date of approval of the financial statements which support the director's view that the Company will continue to operate as a going concern. In doing so, the Director is satisfied that Wellesley Finance Limited and its subsidiary Cloverleaf 376 Limited will continue to support the Company for the foreseeable future, and therefore his assessment of the Company as a going concern is based on this presumption.

The director has reviewed financial projections and cash forecasts under various scenarios over a two-year period to the end of 2023, which illustrate adequate levels of liquidity and capital for this period. Notwithstanding this, as the Company does not generate regular cash flow from its operations, it is reliant upon Wellesley Finance Limited and its subsidiary Cloverleaf 376 Limited to continue to support the Company until such time that its assets are realised and its obligations can be settled. In summary, the director is satisfied that the actions being taken to manage the capital and liquidity position of the Company are aligned to the strategic objectives of the Company.

Statement of director's responsibilities

The director is responsible for preparing the Strategic report, the Director's report and the Financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

WELLESLEY BRIDGING CO LIMITED

Report of the Director for the year ended 31 December 2020

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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

MHA Macintyre Hudson LLP will continue to hold office as auditors in accordance with Section 487 of the Companies Act 2006.



Andrew Turnbull
Director

Approved by the Board of Directors and signed on behalf of the Board on 30 September 2021.

WELLESLEY BRIDGING CO LIMITED

Independent Auditor's Report for the year ended 31 December 2020

Opinion

We have audited the financial statements of Wellesley Bridging Co Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the companies act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year 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 BRIDGING CO LIMITED

Independent Auditor's Report (continued) for the year ended 31 December 2020

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 in 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of the entity staff in compliance functions to identify any instances of non-compliance with laws and regulations;
- 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;
- Reviewing minutes of meetings of those charged with governance and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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, 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.

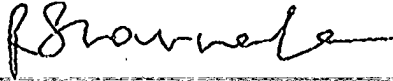
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

WELLESLEY BRIDGING CO LIMITED

Independent Auditor's Report (continued) for the year ended 31 December 2020

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 Auditors' 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 (Senior Statutory Auditor)
for and on behalf of MHA MacIntyre Hudson, Statutory Auditor
London
United Kingdom
Date: 30 September 2021

WELLESLEY BRIDGING CO LIMITED

Statement of Comprehensive Income for the year ended 31 December 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|--|-------|---------------|---------------|
| Interest income | | 93 | 217 |
| Interest expense | | (362) | - |
| Net Interest (expense)/income | 5 | (269) | 217 |
| Administrative expenses | 6 | (76) | (16) |
| (Loss)/profit from operations | | (345) | 201 |
| Income tax | 7 | - | 4 |
| (Loss)/profit after tax | | (345) | 205 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | (345) | 205 |

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 results are from continuing activities.

The accounting policies and notes set out on pages 13 to 19 form an integral part of these financial statements.

WELLESLEY BRIDGING CO LIMITED

Statement of Financial Position as at 31 December 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|----------------------------|-------|----------------|----------------|
| Assets | | | |
| <i>Non-current assets</i> | | | |
| Other receivables | 9 | 543 | 543 |
| | | 543 | 543 |
| <i>Current assets</i> | | | |
| Loans and advances | 8 | 1,966 | 2,294 |
| Cash and cash equivalents | | - | - |
| Total assets | | 2,509 | 2,837 |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Other payables | 10 | (2,279) | (2,262) |
| Total liabilities | | (2,279) | (2,262) |
| Net assets | | 230 | 575 |
| Equity | | | |
| Share capital | 11 | - | - |
| Retained earnings | | 230 | 575 |
| Total equity | | 230 | 575 |

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.

These financial statements were approved by the director on 30 September 2021 and were signed on his behalf by:



Andrew Turnbull
Director
Company number 09592003

The notes on pages 13 to 19 are an integral part of these financial statements.

WELLESLEY BRIDGING CO LIMITED

Statement of Changes in Equity for the year ended 31 December 2020

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|--|------------------------|-------------------------------|-----------------------|
| Balance at 1 January 2020 | - | 575 | 575 |
| Total comprehensive income for the year | | | |
| Loss for the year | - | (345) | (345) |
| Total comprehensive income for the year | - | (345) | (345) |
| Balance at 31 December 2020 | - | 230 | 230 |

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|--|------------------------|-------------------------------|-----------------------|
| Balance at 1 January 2019 | - | 370 | 370 |
| Total comprehensive income for the year | | | |
| Profit for the year | - | 205 | 205 |
| Total comprehensive income for the year | - | 205 | 205 |
| Balance at 31 December 2019 | - | 575 | 575 |

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 notes on pages 13 to 19 are an integral part of these financial statements.

WELLESLEY BRIDGING CO LIMITED

Statement of Cash Flows for the year ended 31 December 2020

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Cash flows from operating activities | | |
| (Loss)/profit before taxation | (345) | 201 |
| Adjustments for non-cash items: | | |
| Write back of refundable tax asset | - | 4 |
| Adjustments for working capital items: | | |
| Increase in other assets | - | (4) |
| Increase/(decrease) in loans and advances | 328 | (220) |
| Increase in other liabilities | 17 | 7 |
| Net cash flows used in operating activities | - | (12) |
| Net decrease in cash and cash equivalents | - | (12) |
| Cash and cash equivalents at the start of the year | - | 12 |
| Cash and cash equivalents at the end of the year | - | - |

The notes on pages 13 to 19 are an integral part of these financial statements.

WELLESLEY BRIDGING CO LIMITED

Notes forming part of the financial statements for the year ended 31 December 2020

1 Nature of operations

Wellesley Bridging Co Limited is a private limited company incorporated in the United Kingdom with a registered office at 483 Green Lanes, London, England, N13 4BS. It was established to provide bridging finance to the property development market.

2 Basis of preparation

2.1 Accounting basis

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and with the Companies Act 2006, as applicable to companies reporting under international accounting standards. The financial statements have been prepared on the historical cost convention except where otherwise stated in the accounting policies.

The comparatives are for the year ended 31 December 2019.

The presentation currency of the financial statements is Pound Sterling, rounded to the nearest "000".

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 Directors are described below and have been applied consistently year on year.

2.2 New accounting standards

New standards and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period beginning on 1 January 2020 have no impact on the disclosures or on the amounts reported in these financial statements.

At the date of approval of these financial statements, the standards and interpretations which were in issue but not yet effective that have not been applied in these financial statements are set out below.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current were issued in January 2020 and are effective for the financial year beginning on 1 January 2023 subject to EU endorsement. The amendments clarify that the classification of liabilities as current or non-current should be based on the rights, in existence at the end of the reporting period, to defer settlement by at least twelve months and not on expectations about whether an entity will exercise these rights.

Amendments to IAS 16 Property, Plant and Equipment were issued in May 2020 and are effective for the financial year beginning on 1 January 2022 subject to EU endorsement. The amendments prohibit the deduction from the cost of an item of property, plant, and equipment of any proceeds from selling items produced while bringing that asset into operation and clarify that these proceeds (and the corresponding costs of production) are recognised in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets were issued in May 2020 and are effective for the financial year beginning on 1 January 2022 subject to EU endorsement. The amendments clarify that the cost of fulfilling a contract comprises the costs that relate directly to the contract.

WELLESLEY BRIDGING CO LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2020

2.2 New accounting standards (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 were issued in August 2020 and are effective for the financial year beginning on 1 January 2021. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and corresponding disclosure requirements.

The Director does not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the Company in future periods.

2.3 Going concern

The financial statements are prepared on a going concern basis, as the director has considered financial projections for the two years from the date of approval of the financial statements which support the director's view that the Company will continue to operate as a going concern. In doing so, the Director is satisfied that Wellesley Finance Limited and its subsidiary Cloverleaf 376 Limited will continue to support the Company for the foreseeable future, and therefore his assessment of the Company as a going concern is based on this presumption.

The director has reviewed financial projections and cash forecasts under various scenarios over a two-year period to the end of 2023, which illustrate adequate levels of liquidity and capital for this period. Notwithstanding this, as the Company does not generate regular cash flow from its operations, it is reliant upon Wellesley Finance Limited and its subsidiary Cloverleaf 376 Limited to continue to support the Company until such time that its assets are realised and its obligations can be settled. In summary, the director is satisfied that the actions being taken to manage the capital and liquidity position of the Company are aligned to the strategic objectives of the Company.

3 Significant accounting policies

3.1 Interest income

Interest income 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.

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.

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 – recognition and de-recognition

Recognition

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

De-recognition

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.

WELLESLEY BRIDGING CO LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2020

3.2 Financial instruments – recognition and de-recognition (continued)

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 fair value plus transactions 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.

Expected Credit Losses ("ECL")

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 Company has enough collateral in respect of loans and advances therefore, no ECL is considered necessary and is classified as Stage 1.

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.

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.

WELLESLEY BRIDGING CO LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2020

3.3 Taxation (continued)

Current tax

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

Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash 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 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.

5 Interest income

| | 2020 | 2019 |
|-------------------------------|-------|-------|
| | £'000 | £'000 |
| Interest income | 93 | 217 |
| Interest expense | (362) | - |
| Net interest (expense)/income | (269) | 217 |

The Company advanced a loan of £1,600,000 to a director of the ultimate parent company, Wellesley Group Investors Limited in September 2016. The loan terms and conditions were modified in the current year to reflect an initial advance of £1.6m (previously stated as £1.7m) and an interest rate of 4.95% per annum (previously stated as 0.834% per month) resulting interest income for the current year of £93k (2019: £217k) and interest expense of £362k (2019: £ 'nil'). Further details are provided in Note 8.

WELLESLEY BRIDGING CO LIMITED

Notes forming part of the financial statements (continued)
for the year ended 31 December 2020

6 Administration expenses

| | 2020 £'000 | 2019 £'000 |
|---------------------------|---------------|---------------|
| Audit fees | 10 | 10 |
| Legal & professional fees | 63 | 6 |
| Other costs | 3 | - |
| | 76 | 16 |

The Company does not employ any staff and the Director received no remuneration from the Company during the year, or prior year, as he is remunerated by the Company's parent, Wellesley Group Limited. The Director is considered to be the only key management personnel.

7 Taxation

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Recognised in the Statement of Comprehensive Income | | |
| Current tax: | | |
| UK corporation tax at 19% (2019: 19%) | | (4) |
| Total current tax | - | (4) |
| Total tax credit | - | (4) |
| Reconciliation of tax charge: | | |
| Profit on ordinary activities before tax | (345) | 201 |
| Tax on profit on ordinary activities at standard corporation tax rate of 19% (2019: 19%) | (66) | 38 |
| Effects of: | | |
| Expenses not deductible | 1 | - |
| Adjustments in respect of prior years | - | (4) |
| Deferred tax not recognised | 103 | - |
| Temporary differences not recognised | (38) | - |
| Effects of group relief/other reliefs | - | (38) |
| Total tax credit | - | (4) |

8 Loans and advances

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Gross loan | 1,966 | 2,294 |
| Amounts falling due: | | |
| In the second to fifth year inclusive | 1,966 | 2,294 |

The Company advanced a loan of £1,600,000 to a director of the ultimate parent company, Wellesley Group Investors Limited in September 2016. The loan terms and conditions were modified in the current year to reflect an initial advance of £1.6m (previously stated as £1.7m) and an interest rate of 4.95% per annum (previously stated as 0.834% per month) resulting in a reduction in the gross loan amount to £1,966k (2019: £2,294k). The repayment date of the loan was extended from 31 December 2020 to 30 October 2025. The loan is the only asset held at amortised cost. Further details are provided in Note 13.

WELLESLEY BRIDGING CO LIMITED

Notes forming part of the financial statements (continued)
for the year ended 31 December 2020

9 Other receivables

| | 2020 £'000 | 2019 £'000 |
|--------------|---------------|---------------|
| Other assets | 543 | 543 |

Other assets consist of refundable tax paid on Director's loan.

10 Other payables

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | 2,263 | 2,247 |
| Accruals | 16 | 15 |
| | 2,279 | 2,262 |

The Company does not currently hold any liabilities at fair value or at amortised cost. Amounts owed to group undertakings are payable on demand, unsecured and do not accrue interest.

11 Share capital

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| 1 issued ordinary share at £1 (2019: £1) | 1 | 1 |

12 Risk management

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

- Liquidity risk; and
- Capital risk

Liquidity risk

The Company's sources of funding are from interest income earned. Liquidity risk is the risk arising from unplanned decreases or changes in funding sources. The Company regularly reviews its forward cashflow and ensures it matches its assets and liabilities.

The analysis of amounts falling due in respect of other liabilities is shown below:

| | 2020 £'000 | 2019 £'000 |
|-----------------|---------------|---------------|
| Within one year | 2,279 | 2,262 |

Capital risk

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

| | 2020 £'000 | 2019 £'000 |
|------------------------------|---------------|---------------|
| Share capital | - | - |
| Retained earnings | 230 | 575 |
| Common equity capital | 230 | 575 |
| Total capital base | 230 | 575 |

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

WELLESLEY BRIDGING CO LIMITED

Notes forming part of the financial statements (continued) for the year ended 31 December 2020

13 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 Director.

Balances with fellow subsidiaries of Wellesley Group investors Limited:

| | 2020 | 2019 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Amounts owed to fellow subsidiaries | 2,248 | 2,245 |
| Amounts owed to parent | 15 | 2 |
| Amounts owed to group undertakings (note 10) | 2,263 | 2,247 |

Amounts owed to group undertakings are payable on demand, unsecured and do not accrue interest.

Balances due from key management personnel include accrued interest of £366k (2019: 635k). No interest payments were received during the year (2019: none).

The main loan asset of the Company is a loan made to the ultimate controlling party of the group, Garrett Graham The Earl of Cowley. The loan was advanced in order that he could further subscribe for preference shares in Wellesley Group Investors Limited. During the period, the loan terms and conditions were modified in the current year to reflect an initial advance of £1.6m (previously stated as £1.7m) and an interest rate of 4.95% per annum (previously stated as 0.834% per month), resulting in a reduction in the gross loan amount to £1,966k (2019: £2,294k); and interest income for the current year of £93k (2019: £217k) and interest expense of £362k (2019: £ 'nil'). Further details are provided in Note 5 and Note 8.

14 Ultimate controlling party

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

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

15 Events after the statement of financial position date

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