WELLESLEY GROUP INVESTORS LIMITED

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

Company Number 08478238

WELLESLEY GROUP INVESTORS LIMITED

Report and financial statements
for the year ended 31 December 2021

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WELLESLEY GROUP INVESTORS LIMITED

Officers and advisers

Directors
Andrew Turnbull
Graham Wellesley
Mark Winlow
James Wilson (Resigned 31 December 2021)

Registered Office
483 Green Lanes, London, England, N13 4BS

Registration Number
08478238

Auditor
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

Overview

The Directors present the Strategic report, Directors' report and the consolidated financial statements of Wellesley Group Investors Limited for the year ended 31 December 2021.

The Group (together, "Wellesley Group Investors Limited", the "Group"), Wellesley Finance Limited, Wellesley & Co Limited, Wellesley Group Limited, Wellesley Investment Services Limited, Wellesley Bridging Co Limited, Cloverleaf 374 Limited, Cloverleaf 375 Limited; Cloverleaf 376 Limited, Wellesley Nominees Limited, Generator (Chocolate Factory) LLP, Chocolate Factory Residents Management Company Limited, Freshford Mill Limited, Freshford Mill Development (Phase 2) Limited") is principally a provider of funding to medium-sized developers who are focused on building mid-market homes in England and Wales.

Wellesley Group Investors Limited (the "Company") is a holding company and the ultimate parent of the group of companies consolidated within the financial statements (the "Group").

Financial Performance and Business Review

Introduction

During 2020, the Group underwent a major restructuring which culminated in one of the Group's subsidiaries Wellesley Finance Limited ("WF") reaching a compromise agreement with its creditors under a Company Voluntary Arrangement ("CVA") that saw 95% of all creditors vote in favour of WF's proposals. In addition, a newly formed group subsidiary, Cloverleaf 376 Limited ("C376") acquired the loan book from secured creditors of WF and investors in products secured against loans originated and serviced by WF, in doing so the providing the opportunity for these investors to achieve a higher return than would otherwise have been attainable had the loans been sold to an unrelated third party during the restructure. All obligations of group companies pertaining to the restructure have been fulfilled and the CVA was formally completed in August 2022, further details have been provided in note 34.

The restructure 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.

Financial Performance

The Group's total operating income for the year was £11.7m (2020: £6.4m). The Group's interest income for the year was £10.7m (2020: £10.2m), the cost of capital in relation to this income was nil (2020: £6.3m) following the restructure. The Group received other income of £1.5m (2020: £1m). The Group incurred a loss of £0.4m (2020: a gain of £1.5m) on listed shares held at fair value, further details are provided in note 16.

Administration expenses decreased to £3.6m (2020: £7.2m) as operating expenses were materially reduced as part of the restructure of the group, further details are provided in Note 9.

After reaching a compromise agreement with the creditors of WF in the form of a CVA in 2020, there was a further derecognition of creditor liabilities as the obligations created under the CVA were fulfilled during the period, the impact on the Statement of Comprehensive Income being a technical gain of £0.2m (2020: £37.5m).

The Group recognised a gain in other expenses of £5.2m (2020: a loss of £10.6m) which relates to the write off of a loan to Generator (Chocolate Factory) LLP ("GCF"), following the acquisition of the partnership in October 2021. The loan was written off in order to facilitate a refinance by a third party senior lender, thereby enabling the obligations of the loan book sale to be fulfilled. The write-off reflects the necessary adjustment in the consolidated group results, further details of how the acquisition has affected the financial statements are provided in note 31. The Group's profit before tax for the year from continuing operations was £13.5m (2020: £26.2m).

The group's total assets as at 31 December 2021 were £42.7m (2020: £66.5m). Loans and advances to customers were £9.2m (2020: £45.9m) following the work out of the loan book following the restructure. Inventories and work in progress were £18.2m (2020: nil) following the acquisition of GCF, which also saw the Group recognise Goodwill at acquisition of £2.5m (2020: nil).

The Group's total liabilities were £18.0m (2020: £63m) as the obligations to compromised creditors under the CVA £0.4m (2020: £25.2m), and obligations to the beneficiaries of the loan book sale £12.6m (2020: 28.2m) were fulfilled. The share capital of the Group was £12.4m (2020: £4.7m) following the issuance of 9,713,644 preference shares at £1 each (2020: 'nil') in Wellesley Finance Limited. Separately, in June 2021, the issued share capital of the Company was reduced from £4.7m to £2.7m by cancelling and extinguishing 20,000 convertible preferred shares of £100 each in the Company. The net asset value of the group was £24.6m (2020: £3.5m) as a result of the aforementioned changes in assets, liabilities and equity.

Business Review

During the period, the Group continued to fulfil its obligations following the restructure and reduced operational expenditure in line with the wind down of the legacy investment business operated by Wellesley & Co Limited ("W&CO"). A review of the material events occurring in the subsidiary companies are detailed below. Not all companies are referred to.

Wellesley Finance Limited ("WF")

The CVA

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

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

As described the Post Balance Sheet Events section in note 34, at the time of the publication of these financial statements, WF had fulfilled all the obligations to compromised creditors, and the CVA was formally completed on 23 August 2022.

Other business

Following the restructure, WF continued to significantly reduce administrative expenses by 58% to £1.3m (2020: £3.1m) reflecting the lower cost base of the post-CVA business model. WF recommenced lending during the period, with the first loan under the new strategy being successfully redeemed in December 2021.

Cloverleaf 376 Limited ("C376")

C376 was incorporated in September 2020 as part of the restructuring of the wider Wellesley Group. The Company's sole purpose being to acquire and work out the loan book of residential property development loans from its parent company Wellesley Finance Limited ("WF"). In doing so, this provided the secured creditors of WF and investors in products secured against loans originated and serviced by WFL the opportunity to achieve a higher return than would otherwise have been attainable had the loans been sold to an unrelated third party during the restructure.

The loan book was sold on a deferred consideration basis, which provided the C376 time to work out the loan book and thereby return greater value to the beneficiaries. During 2020 and the first half of 2021, the work out activity generally progressed well with the loan book being repaid by £25.4m net of advances required to complete some of the developments. This work out activity enabled the company to make the first two payments under terms of the Loan Book Sale ("LBS") being £8m in December 2020 and a further £15m in June 2021.

During the second half of 2021, a further £10.3m was repaid from the loan book (net of advances) which was less than anticipated, largely owing to significant delays incurred by one borrower. In October 2021, the Group reached a consensual agreement with the borrower to acquire the membership interests of the borrowing entity and complete the development. In December 2021, the C376 wrote off the loan so that the group could secure a new loan facility from a third-party lender which provided the C376 with additional liquidity to meet the remaining LBS payments.

In December 2021, a further LBS payment of £5.5m was made with the remaining amount due deferred until 2022 once the aforementioned refinance had been completed. Further payments of £12.2m and £4.4m were made in March 2022 and April 2022, respectively, meaning that all obligations under the LBS have been settled.

Wellesley & Co Limited ("W&CO")

Following the restructuring of the wider Wellesley Group in 2020, W&CO commenced a wind down of its regulatory business activities, with operations outsourced to Resolution Compliance Limited from January 2021. W&CO continues to operate under a Voluntary Requirements Notice (a "VREQ") which is a voluntary and temporary measure to restrict regulated activity, full details can be seen on the FCA register. W&CO's wind down activities have progressed as planned and are expected to be completed over the course of the next year.

Generator (Chocolate Factory) LLP ("GCF")
On 26 October 2021, the group reached a consensual agreement to acquire the membership interests of GCF which was originally one of the Group's borrowers. The underlying development had experienced delays which in turn had placed strain on the Group's cash flow. By acquiring the partnership, the Group was able to refinance the development directly, as part of the Wellesley Group, to secure funding to complete the development. The refinancing was completed in March 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 profit of £13.5m (2020: £26.1m) as the effects of the restructure were mostly recognised in 2020.

- Cost / Income ratio – measured by administrative expenses divided by operating income, which at the reporting date was 31% (2020: 113%) as the Group has reduced costs following the restructure.

- Leverage – measured by total liabilities divided by total liabilities plus total equity which at the reporting date was 42% (2020: 95%) as the obligation created under the restructure were 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
Wellesley Finance Limited made issued 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. Further details are provided in note 34.

Cloverleaf 376 Limited settled the deferred consideration in relation to the final loan book sale payments in March and April 2022 meaning that all obligations under the LBS have been settled. Further details are provided in note 34.

On 17 May 2022, the share capital of the Company was reduced by cancelling and extinguishing:
a) 20,551 growth shares of £0.10
b) 1,100 convertible preferred shares of £100.00

Each of which was fully paid up and the amount by which the share capital was so reduced and repaid to the holders of those shares.

Also on 17 May 2022, the Company redeemed 175,000 preference shares of £0.10 each.

Further details are provided in note 34.

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 strategy
The Group will primarily focus on continuing to work out the remaining developments and related loans. The realisation of these assets is expected to occur over a significantly longer timeframe than previously expected owing to entrenched build cost inflation, supply chain disruption, higher interest rates and abrupt repricing in the mortgage market which have adversely affected the market in which the Group operates. The impact of these factors has extended both the development timeframe and the expected sales profile of the underlying properties that the Group's financial resources are committed to.

This has and will continue to acutely affect the Group's ability to redeploy capital into new opportunities as a material portion of the Group's capital is committed to a small number of relatively large projects that are mid-development and expected to be completed over the medium term.

The Group has no plans to raise retail funding and will instead redeploy its capital directly, as it is realised over the medium term, leveraging existing borrower relationships and syndicated lending partners to grow enduring relationships with high quality partners which will enable the Group to build a robust and sustainable loan portfolio.

Principal risks and uncertainties
The principal risks to the Group are as follows:

Credit risk
As a loan participant, the Group is exposed to the credit risk of its borrowers. For each loan, the Group obtains a legal charge on the assets it is lending against. It is acknowledged that the property market is cyclical and until recently, the Company had been 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 withdrawal of government initiatives such as 'Help to Buy', combined with higher interest rates and higher inflation has resulted in less favourable lending conditions given the impact on purchasers and developers, respectively. Moreover, the evolution of fiscal policy in the UK has led to volatility in the financial markets which has adversely affected the mortgage market. It remains to be seen whether such effects are transitory or whether they weigh on demand for housing which could lead to a reduction in house prices. All such factors would be considered less favourable for lending. The board regularly reassesses its view on the risks presented by the market and also the overall stage of the property cycle.

Build and cost management
The Group is directly and indirectly exposed to the risks from the development process and is particularly sensitive to build costs and timeframes which could have an adverse impact on cash flow and profitability. Poor build quality and time management can lead to additional costs being incurred and tarnish the reputation of the Groups underlying developments. Build programmes are closely monitored by key personnel in the group and third party professionals.

Market risk
The Group is exposed to the risk that the value of, or income arising from, the Group's assets and liabilities change because of changes to interest rates. The Group's finance function is responsible for managing the Group's exposure to all aspects of interest rate risk.

Reputational risk
The Group had a high level of sensitivity to reputational risks as WF has recently completed a CVA and this may inhibit the ability of the Group to raise financing and affect the Group's ability to source and manage borrower relationships.

Operational and people risk
Following the restructure, the Group has materially reduced staff numbers and overheads. It therefore has a high dependency on a few key individuals which if not retained could disrupt the operations of the Group.

Liquidity Risk
The Group is exposed to the liquidity risk arising from the requirement to fund its operations. The Group maintains adequate cash reserves which could be supplemented by leveraging its assets and/or asset disposal. The Group monitors its forward cash flow position regularly and the new lending strategy is focused on direct 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 Group 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 Group 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 30.

Approach to Risk Management

The Group manages risk through its Enterprise Risk Management Framework (ERMF) where the strategy of the Group is translated in to key risks, which are then monitored and reported to ExCo and Board.

Committees

At 31 December 2021, the Board consisted of one independent non-executive director, one non-executive director and one executive director, with scheduled meetings held periodically. The Board is responsible for promoting the long-term success of the Group, and it does this by:

- determining the business strategy and related risk appetite; and
- holding the executive to account for the performance of the business.

The Board is also responsible for:

- effective risk management processes to enable delivery of the strategy and business performance within the approved risk appetite and risk control framework; and
- the system of internal controls, to provide effective and efficient operations; internal financial controls and compliance with applicable laws and regulations.

At each Board meeting the Directors discuss strategic and business matters, financial, operational, risk and governance issues and other relevant business items that arise. During the period, Board sub-Committees provided oral reports from the Chairs of each sub-Committee at the next board meeting.

The Board is supported by two key committees:

- Remuneration Committee
- Executive Committee

The Remuneration Committee is responsible for reviewing the performance of the executive directors and for setting the scale and structure of their and staff remuneration. The Remuneration Committee is chaired by an independent non-executive.

The Executive Committee is responsible for presenting and agreeing options to deliver the strategy to the Board. Once agreed it is accountable for the delivery of the agreed plans and to report on progress and variances to plan.

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) our regulator; and (e) all those that live in the societies we serve.
During 2019, 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.

These financial statements were approved and authorised for issue by the Board of directors on 15 December 2022.

Mark Winlow
Chairman
15 December 2022

The Directors present the and the audited financial statements of the Wellesley Group Investors Limited (the "Group") for the year ended 31 December 2021. The directors of the Group during the year were those listed on page 1.

Results and dividends
The Group profit for the year after taxation (from continuing activities) was £13.5m (2020: £26.2m). The Company's profit for the year was £17.5m (2020: loss of £3.0m). The directors do not recommend the payment of a dividend (2020: £Nil).

Principal activities
The Group is engaged in the provision of medium-term finance for mid-market property development in England and Wales.

Strategic report
Principal risks and uncertainties and information on the Group's risk management policies are included in the Strategic report on pages 2 to 7.

Principal risk and uncertainties
The principal risks and uncertainties of the Group are disclosed on page 5 in the Strategic report.

Future developments
The Group will primarily focus on continuing to work out the remaining developments and related loans. The realisation of these assets is expected to occur over a significantly longer timeframe than previously expected owing to entrenched build cost inflation, supply chain disruption, higher interest rates and abrupt repricing in the mortgage market which have adversely affected the market in which the Group operates. The impact of these factors has extended both the development timeframe and the expected sales profile of the underlying properties that the Group's financial resources are committed to.

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Going concern

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

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.

Current Directors' biographies

Andrew Turnbull - Group Managing Director

Prior to co-founding the Group, Andrew's career was within the City of London working within the retail and institutional online trading industry. Andrew's roles have included being Marketing Director for ODL Group Limited and latterly Senior Vice-President for Forex Capital Markets Limited which saw him specialise in providing retail and institutional foreign exchange trading platform services to major banks within the United Kingdom and Europe.

Andrew is responsible for managing all commercial aspects for the Company and the Group.

Mark Winlow - Independent Non-Executive Chairman, Wellesley Group

Mark is an experienced chairman and senior independent director and has four decades of financial services experience, over 10 years of which as a non-executive director. His board experience includes insurance (life, health, general and reinsurance), banking and lending (including founding director of new entrant Starling Bank) and other industries exploiting data and technology. Mark has been a director on more than 24 distinct boards of which he has chaired more than half.

As well as Wellesley Group, Mark chairs commercial insurer Liberty Specialty Markets in UK, wealth platform Novia and independent insurance buyer and claims resolution company, Mactavish. He is a director of Liberty Mutual Insurance Europe. Before his board appointments, Mark was a consulting partner at KPMG, EY and AT Kearney and UK Managing Director at Zurich Financial Services, managing c.£1bn of insurance premiums and over 3,000 employees.

Graham Wellesley – Non-Executive Vice Chairman

Graham is an experienced Director and entrepreneur within the financial services sector. Most of Graham's professional experience has been based in the City of London within retail and institutional capital markets trading. Graham's first experience as a Chief Executive was for IFX Markets Limited, a company that he founded in 1993 which was one of the first online institutional and retail providers of foreign exchange trading.

Graham led IFX Markets Limited through the process of becoming a public company quoted on the Main Market of the London Stock Exchange. Graham successfully sold his stake in the business in 2002. Having gained considerable experience in leading a listed company, in 2004 Graham took on his second CEO position for an online trading firm, ODL Group Limited, which he grew from being a small organisation of 15 staff to an international brokerage for foreign exchange trading with regulated subsidiaries in Chicago and Tokyo (among others). In 2010, Graham merged the firm with Forex Capital Markets as part of a take public strategy resulting in its flotation on the New York Stock Exchange forming the largest global provider of retail foreign exchange trading.

Since the financial crisis, Graham has applied his experience in dealing with retail and institutional investors to the alternative lending market. Prior to establishing the Group, Graham was responsible for the creation of an agricultural lending fund which specialised in financing farm machinery called Prestige Asset Management Limited where Graham held the position of chairman and held a significant shareholding.

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 applicable law and UK adopted international accounting standards.

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 applicable law and UK adopted international accounting standards; 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 and authorised for issue by the Board of Directors and signed on behalf of the Board on 15 December 2022.

Independent Auditor's Report to the Members of Wellesley Group Investors Limited

Opinion
We have audited the financial statements of Wellesley Group Investors Limited (the "parent company") and its subsidiaries (the 'group') for the period ended 31 December 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows, the Company Statement of Comprehensive Income, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company 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 group's and of the parent company's affairs as at 31 December 2021, and of the group's profit 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 Group and the parent 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 group's or the parent 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.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 group's and parent 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 group or the parent 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 group and the parent 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 group's and parent 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 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.

R Shaunak

Rakesh Shaunak FCA, CTA.
(Senior Statutory Auditor)

For and on behalf of MHA MacIntyre Hudson
Statutory Auditor
London, United Kingdom
15 December 2022

WELLESLEY GROUP INVESTORS LIMITED

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Notes	2021	2020
		£'000	£'000
Interest income	5	10,667	10,183
Interest expense	6	-	(6,332)
Net interest income		10,667	3,851
Fee and commission income	7	-	973
Fee and commission expense	7	-	(863)
Net fee and commission income		-	110
Other income	8	1,485	1,020
Total income		**12,152**	**4,981**
Loss on derivatives and other financial instruments at fair value through profit or loss		-	(91)
Gain on listed shares at fair value through profit or loss	16	(435)	1,506
Total operating income		**11,717**	**6,396**
Administrative expenses	9	(3,644)	(7,226)
Impact of derecognition of creditor liabilities	24	175	37,485
Other expenses	23	5,207	(10,565)
Profit from operations		**13,455**	**26,090**
Bank interest received		0	6
Profit before tax - from continuing operations		**13,455**	**26,096**
Income tax charge from continuing operations	13	-	-
Profit after taxation from continuing operations		**13,455**	**26,096**
Discontinued operations			
Share of profit after tax from joint venture arrangement		-	62
Other Comprehensive Income			
Foreign exchange revaluation (loss)/gain on investment		-	-
Total other comprehensive income/(loss) for the year		-	-
Total comprehensive profit for the year		**13,455**	**26,158**

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.

Unless otherwise stated the results above are from continuing operations.

The accounting policies and notes to the Consolidated Statement of Comprehensive Income set out on pages 18 to 41 form an integral part of these financial statements.

WELLESLEY GROUP INVESTORS LIMITED

Consolidated Statement of Financial Position
as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	19	6	31
Investment in listed shares	16	4,049	7,559
Goodwill at acquisition	31	2,271	-
		6,326	**7,590**
Current assets			
Cash and cash equivalents	18	4,249	8,623
Loans and advances to customers	14	9,225	45,909
Other receivables	20	4,411	4,347
Inventories and work in progress	17	18,463	-
Total assets		**42,674**	**66,469**
Liabilities			
Current liabilities			
Trade and other payables	21	5,058	9,631
Compromised creditors	24	376	25,173
Deferred considerations (loan book sale)	25	12,605	28,199
Total liabilities		**18,039**	**63,003**
Net assets/(liabilities)		**24,635**	**3,466**
Equity			
Share capital	26	12,420	4,706
Share premium	27	2,853	2,853
Retained earnings	27	9,362	(4,093)
Total equity		**24,635**	**3,466**

These financial statements were approved and authorised for issue by the Board of directors on 15 December 2022 and were signed on its behalf by:

Andrew Turnbull
Director
Company number 08478238

The accounting policies and notes to the Consolidated Statement of Financial Position set out on pages 18 to 41 are an integral part of these financial statements.

WELLESLEY GROUP INVESTORS LIMITED

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

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		**4,706**	**2,853**	**(4,093)**	**3,466**
Total comprehensive income for the year					
Profit for the year		-	-	13,455	13,455
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**13,455**	**13,455**
Transactions with owners recorded directly in equity:					
Issue of shares	26	9,714	-	-	9,714
Redemption of shares	26	(2,000)	-	-	(2,000)
Total contributions by and distributions to owners		**7,714**	**-**	**-**	**7,714**
Balance at 31 December 2021		**12,420**	**2,853**	**9,362**	**24,635**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	**4,706**	**2,853**	**(30,251)**	**(22,692)**
Total comprehensive income for the year				
Profit for the year	-	-	26,158	26,158
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**26,158**	**26,158**
Balance at 31 December 2020	**4,706**	**2,853**	**(4,093)**	**3,466**

The accounting policies and notes to the Consolidated Statement of Changes in Equity set out on pages 18 to 41 are an integral part of these financial statements.

WELLESLEY GROUP INVESTORS LIMITED

Consolidated Statement of Cash Flow
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before taxation from continuing operations		13,455	26,096
Profit before taxation from discontinued operations		-	62
Adjustments for non-cash items:			
Impairment of loans and advances		(4,699)	-
Amortisation of intangible assets		-	7
Depreciation of property, plant and equipment		8	28
Disposal of property, plant and equipment		5	-
Impact of derecognition of creditor liabilities	24	(175)	(37,485)
Interest expense on loans and borrowings		-	3,824
Net expense/(income) from derivatives instruments at fair value		-	34
Recognition of compromised creditors	24	-	25,173
Write-off of loans and advances		-	9,929
Foreign currency revaluation of loans and advances		3	4
Gain on other investments		(476)	-
Share of loss in joint venture arrangement		-	(62)
Write-off of affiliate company debt		2	-
IFRS 16 lease recognition		-	(15)
Profit on listed shares at fair value through profit or loss		427	(769)
		8,550	**26,826**
Adjustments for working capital items:			
Increase in other assets		(4,960)	(5,684)
(Decrease)/increase in other liabilities		(5,467)	9,939
(Derecognition)/recognition n of deferred liabilities		(895)	17,486
Decrease/(increase) in operating assets		12,925	(6,946)
Net cash flows generated from operating activities		**10,153**	**41,621**
Cash flows from investing activities			
Sale of property, plant and equipment		11	-
Purchase of intangible assets		-	(40)
Sale/(purchase) of listed shares	16	2,938	(7,550)
(Purchase)/sale of portions of loans and advances		(569)	328
Dividend and capital reduction in joint venture investment		-	887
Net cash generated from/(utilised by) investing activities		**2,380**	**(6,375)**
Cash flows from financing activities			
Redemption of preference shares		(2,000)	-
Proceeds from interest-bearing loans and borrowings, net of transaction costs		-	474
Repayment of interest-bearing loans and borrowings		-	(34,610)
Repayment of cash obligations due to compromised creditors		(14,904)	-
Interest payment on loans and borrowings		-	(2,677)
Net cash utilised by financing activities		**(16,904)**	**(36,813)**
Net decrease in cash and cash equivalents		**(4,371)**	**(1,567)**
Cash and cash equivalents at the start of the year		8,623	10,195
Foreign currency revaluation of cash balances		(3)	(5)
Cash and cash equivalents at the end of the year		**4,249**	**8,623**

The accounting policies and notes to the Consolidated Statement of Cash Flow set out on pages 18 to 41 are an integral part of these financial statements.

1 Nature of operations

The Group (together, "Wellesley Group Investors Limited", the "Group"), Wellesley Finance Limited, Wellesley & Co Limited, Wellesley Group Limited, Wellesley Investment Services Limited, Wellesley Bridging Co Limited, Cloverleaf 374 Limited, Cloverleaf 375 Limited, Cloverleaf 376 Limited, Wellesley Nominees Limited, Generator (Chocolate Factory) LLP, Chocolate Factory Residents Management Company Limited, Freshford Mill Limited, Freshford Mill Development (Phase 2) Limited") is principally a provider of funding to medium-sized developers who are focused on building mid-market homes in England and Wales.

Wellesley Group Investors Limited (the "Company") is a holding company and the ultimate parent of the group of companies consolidated within the financial statements (the "Group").

2 Basis of preparation

2.1 Accounting basis

The financial statements of the Group 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 comparative period is the year ended 31 December 2020.

The functional and presentational currency of the financial statements is Pound Sterling and rounded to the nearest "£000".

The financial statements have been prepared and on the historical cost basis except for loans and advances to customers designated at fair value through profit or loss.

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.

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.

The consolidated financial statements incorporate the financial statements of the parent company Wellesley Group Investors Limited, and entities controlled by the company (its subsidiaries) prepared to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the business and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred. the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any). the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from contingent consideration arrangements, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

One of the Group's subsidiaries, Wellesley Investment Services Limited ("WISL") have prepared their financial statements on a basis other than that of a going concern. WISL's sole asset was an investment in a Joint Venture ("JV") in Spain which was involved in the development and subsequent sale of property. On 10 March 2020, the JVs final apartment was sold, and the shareholders are currently in the process of winding it down, ensuring that all liabilities and other debts have been fully settled. Once this exercise is complete, it is anticipated that the Directors of the Company will seek dissolution. As a result, WISL's financial statements were prepared on a break-up basis, and included all expected future wind down costs of terminating the business. While the Company is expecting to cease trading in the next twelve months, the formal closure process has yet to commence.

Accordingly, the results of WISL are disclosed as a discontinued operation on the face of the income statement.

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 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

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

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 Group 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 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.

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

3.2 Fees and commission income
The Group derecognises portions of loans that have been purchased by other parties. The Group 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 Group 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 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 Group 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 Group 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 statement of profit and loss.

The Group'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 fair value, which is calculated as the NPV of future cashflows, discounted using the original EIR. Loans and receivables mainly comprise loans and advances to customers.

3.6 Financial instruments

Financial Assets
The Group classifies its financial assets as loans and receivables.

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 Group 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 Company have used a 5-scenario approach in its assessment of its ECL.

The criteria that the Group 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 Group'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 statement of profit and loss.

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 statement of profit and loss. 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.

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 Group 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 Group are classified as financial liabilities at amortised cost.

3.7 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measure 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 Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the issue 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.

3.8 *Provisions*
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.9 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.

3.10 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 is 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 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 Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

3.11 Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset or costs incurred in bringing the asset to use. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost of each asset to realisable values on a straight-line basis over its expected useful life, as follows:

- Leasehold improvements – five years
- Furniture, fixture, fittings and equipment – five years
- Computer equipment – five years

Under IFRS-16 all leases are treated similarly to finance leases, including those previously recognised as operating leases. The Group have adopted the modified retrospective approach and therefore the comparative information has not been restated. Assets held under leases are recognised as assets of the Group at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments as right of use assets. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation at the present value of the of the lease payments outstanding at the commencement date.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. Estimated useful lives are on the same basis as those of other similar classes of assets.

3.12 Equity instruments
The Group 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 Group 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 Group, or where the instrument will or may be settled in the Group's own equity instruments but includes no obligation to deliver a variable number of the Group's own equity instruments then it is treated as an equity instrument. Accordingly, the Group'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.

3.13 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.

3.14 Gain on investment

The Company trades equity instruments only for the purpose of proprietary trading. Shareholdings are initially recognised at purchase price on the date on which a contract is entered into and are subsequently re-measured at fair value which results into recognition of unrealised gains and losses. Such values are obtained from quoted market prices in active markets. Unrealised gains are measured as assets where the value is positive and liabilities where their value is negative.

In instances when equity instruments are sold and any gains and losses are 'realised', all unrealised gains or losses are reversed, and the any gain or loss based on the actual sale price is recognised through the income statement. Any directly attributable costs in relation to sale or transfer of such shareholdings is charged to the income statement.

3.15 Inventories and work in progress

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in statement of comprehensive income. Reversals of impairment losses are also recognised in statement of comprehensive income.

3.16 Investment in subsidiaries

Investments in subsidiaries are initially recognised at cost. At each reporting date, an assessment is made as to whether there is any indication that the investment may be impaired. If such an indication exists, the Group estimates the investment's recoverable amount. The investment is valued at its recoverable/realisable 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 the most important to the portrayal of the Group'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 Group 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 Group may have several business models for differing assets), the Group 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 Group 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, which is important given that Peer-to-Peer funding is in run-off. 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, the Group 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 Group 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 Group'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 Group's experience it that there is only a movement in the fair value of the loan where there is a risk that Group 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 do not 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.

Loan impairment provisions
Loan portfolios across the Group are reviewed on at least a monthly basis to assess for impairment. In determining whether an impairment provision should be recorded, judgements are made as to whether there is objective evidence that a financial asset is impaired as a result of loss events that occurred after recognition of the asset and by the reporting date. The calculation of the impairment loss is management's best estimate of losses incurred in the portfolio at the statement of financial position date and reflects expected future cash flows based on both the likelihood of a loan or advance being written off and the estimated loss on such a write-off. Please see note 15 for details of the provisions carried forward at the year end and the amounts charged as an expense and released during the year.

Acting as agent
The Company acted as agent on behalf of its P2P investors. Management apply the Effective Interest Rate ("EIR) method in calculating the fee and commission income and expense for acting as agent.

The following is deemed to require a certain level of judgement by the directors:

Inventories and work in progress
Inventories and work in progress includes work in progress in respect of development of land and buildings. Judgement is required to assess whether the cost being capitalised in the balance sheet is in excess of the net realisable value of each development site. This is achieved through regular monitoring of the relevant development site's financial appraisal through the development cycle.

5 Interest income

	2021 £'000	2020 £'000
Interest income	**10,667**	**10,183**

The Group derives majority of its' interest income from providing development loan finance to its customers. 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

	2021 £'000	2020 £'000
Interest expense	**-**	**6,332**

The Group incurs its' interest expense on 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 short-term borrowings and cost of capital raised by the Group in order to fund its operating activities.

7 Fee and commission income and expense

	2021 £'000	2020 £'000
Income on loans and advances to customers - agent	-	973
Fee expense on Peer-to-Peer capital - agent	-	(863)
	-	**110**

8 Other fee income

	2021 £'000	2020 £'000
Exit fee	-	734
Income from ancillary activities	(11)	-
Other income	1,496	286
	1,485	**1,020**

Income from ancillary activities is derived from the disposal of properties developed by Generator (Chocolate Factory) LLP generating revenue of £1,671k (2020: nil) related cost of sales of £1,682k (2020: nil).

9 Administrative expenses

	Note	2021 £'000	2020 £'000
Staff costs	10	1,244	3,049
Advertising & marketing		27	830
Depreciation & amortisation	19	8	36
Direct office costs		91	422
Legal & professional		1,445	1,624
Consultancy costs		266	65
IT costs		240	707
Loss on disposal		5	-
Loss on translation of foreign currency assets		3	4
Other administrative expenses		315	488
		3,644	**7,226**

Legal & Professional expenses principally relate to the restructuring of Wellesley Finance Limited under the Company Voluntary Arrangement and the loan book sale to Cloverleaf 376 Limited.

10 Employees and Directors

Staff cost have been allocated per department as follows:

	2021 £'000	2020 £'000
Wages and salaries		
Central functions	174	726
Directors	536	725
Operations	223	616
Credit operations	18	138
Loan origination	125	374
	1,076	**2,579**
Social security costs	124	333
Pension costs	27	87
Employee benefits	17	50
	1,244	**3,049**

Staff numbers have been allocated per department as follows at the year-end:

	2021	2020
Central functions	-	10
Directors	2	3
Operations	2	10
Credit operations	-	3
Loan origination	1	3
	5	**29**

The average number of persons employed by the Company during the year was 5 (2020: 29).

11 Directors' emoluments

	2021 £'000	2020 £'000
Directors' emoluments	**544**	**745**

The emoluments for the highest paid director during the year was £257k (2020: £363k). Directors' emoluments include a defined contribution pension expense of £8k (2020: £20k) payable on behalf of 1 (2020: 2) directors.

12 Auditor's remuneration

Auditor's remuneration for audit services provided:	2021 £'000	2020 £'000
Wellesley Group Investors Limited	46	24
Subsidiary entities	90	134
	136	**158**

13 Taxation

	2021	2020
	£'000	£'000
Recognised in the Statement of Comprehensive Income	-	-
Current tax	-	-
Deferred tax	-	-
Total tax charge	-	-
Reconciliation of tax credit:		
Profit/(loss) on ordinary activities before tax	**13,455**	**26,096**
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2019: 19%)	2,556	4,970
Effects of:		
Adjustments in respect of prior years	-	14
Expenses not deductible	-	1,390
Income not taxable for tax purposes	-	(7,134)
Tax rate changes	-	(399)
Amounts not recognised	-	1,352
Total tax charge	(2,556)	-

Deferred tax assets in respect of accumulated tax losses have not been recognised as the Group is unable to determine whether those losses will be relieved with any certainty. The Group has accumulated losses of £30,954k (2020: £37,698k).

14 Loans and advances to customers

	2021	2020
	£'000	£'000
Gross loan receivables	10,806	46,004
Expected credit loss	(1,581)	(95)
	9,225	**45,909**
Amounts falling due:		
Within one year	9,225	45,909
	9,225	**45,909**

15 Allowance for expected credit losses

The movement in provisions in respect of loans during the year was as follows:

	2021	2020
	£'000	£'000
At the beginning of the year	95	12,394
Provision for expected credit losses	1,486	95
Release of provision for expected credit losses	-	(12,394)
Total charge/(release) for the year	**1,486**	**(12,299)**
At the end of the year	**1,581**	**95**

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

16 Investment in listed shares

No. of shares	Listed Entity	Fair Value Per Share (Pence)	2021 Book Value (£'000)
17,796,173	Time Finance plc	0.2275	4,049

No. of shares	Listed Entity	Fair Value Per Share (Pence)	2020 Book Value (£'000)
4,534,511	Urban Exposure plc	0.6800	3,083
17,796,173	Time Finance plc	0.2515	4,476
			7,559

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 Group 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 20 for further details.

The Group purchased equity instruments only for the purpose of proprietary trading. Gain or loss on investments are recognised as the difference between the acquisition price and the fair value. At the reporting date, following equity instruments were held at the fair value, the fair value was determined by the fair value prevailing at the reporting date. Reported gains and losses consist of realised as well as unrealised gains and losses within the reporting period.

(i) 4,534,511 listed shares in Urban Exposure plc were held at a closing fair value of 68p per share at previous reporting period. During the reporting period, 1,071,000 shares were sold at a weighted average sale price of 68.46p per share. Liquidation proceeds of £2.2m from remaining shareholding of 3,463,511 shares was received during the reporting period.

(ii) 17,796,173 listed shares in Time Finance plc were held at a closing fair value of 25.15p per share at previous reporting period. At the reporting date, shares were held at a fair value of 22.75p per share.

Amounts included in the consolidated statement of comprehensive income as a result of movements of these shares are analysed as follows:

2021	Share price (pence)	Transaction value (£'000)
Fair value of 71,000 shares in Urban Exposure plc	0.6800	(48)
Sale of 71,000 shares in Urban Exposure plc	0.7102	50
Purchase of 1,000,000 shares in Urban Exposure plc	0.6800	(680)
Sale of 1,000,000 shares in Urban Exposure plc	0.6700	670
Fair value of 17,796,173 shares in Time Finance plc	0.2515	(4,476)
Fair value of 17,796,173 shares in Time Finance plc	0.2275	4,049
Fair value of 71,000 shares in Urban Exposure plc	0.6800	(48)
		(435)

2020	Share price (pence)	Transaction value (£'000)
Fair value of 15,830,000 shares in Urban Exposure plc	0.6800	(10,764)
Purchase of 5,431,459 shares in Urban Exposure plc	0.6930	(3,764)
Purchase of 71,000 shares in Urban Exposure plc	0.6962	(49)
Sale of 16,797,948 shares in Urban Exposure plc	0.7300	12,262
Fair value of 15,830,000 shares in Urban Exposure plc	0.6800	3,083
Purchase of 17,796,173 shares in Time Finance plc	0.2100	(3,737)
Fair value of 17,796,173 shares in Time Finance plc	0.2515	4,476
		1,506

17 Inventories and work in progress

In October 2021, the Group acquired membership interest in Generator (Chocolate Factory) LLP, a partnership whose primary activity is to develop property. The inventory and work in progress at the reporting date represent the capitalised costs incurred on ongoing development works. Of the inventory and work in progress recognised at the reporting date, £3.8m is recognised as current assets, and £14.6m is recognised as non-current assets based on the anticipated realisation of these assets over the prospective twelve-month period. At the reporting date, there were no finished inventories.

	31 December 2021	31 December 2020
	£'000	£'000
Inventories and work in progress	**18,463**	**-**
Due within one year	3,836	-
Due over one year	14,627	-
	18,463	**-**

18 Cash and cash equivalents

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

	31 December 2021	31 December 2020
	£'000	£'000
Cash at bank and in hand	**4,249**	**8,623**

19 Property, plant and equipment

2021	Leasehold improvements	Furniture, fixtures, fittings & equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At the beginning of the year	185	102	104	**391**
Additions	-	-	-	-
Disposals	-	-	(25)	**(25)**
At the end of the year	**185**	**102**	**79**	**366**
Depreciation				
At the beginning of the year	185	102	73	**360**
Depreciation charge for the year	-	-	8	**8**
Disposals	-	-	(8)	**(8)**
At the end of the year	**185**	**102**	**73**	**360**
Net book value				
At the beginning of the year	**-**	**-**	**31**	**31**
At the end of the year	**-**	**-**	**6**	**6**

2020	Leasehold improvements £'000	Furniture, fixtures, fittings & equipment £'000	Computer equipment £'000	Total £'000
Cost				
At the beginning of the year	185	102	64	**351**
Additions	-	-	40	**40**
Disposals	-	-	-	**-**
At the end of the year	**185**	**102**	**104**	**391**
Depreciation				
At the beginning of the year	175	90	60	**324**
Depreciation charge for the year	11	12	13	**36**
Disposals	-	-	-	**-**
At the end of the year	**185**	**102**	**73**	**360**
Net book value				
At the beginning of the year	**11**	**12**	**4**	**27**
At the end of the year	**-**	**-**	**31**	**31**

20 Other receivables

	2021 £'000	2020 £'000
Other receivables	1,391	895
Prepayments	253	1,313
Amounts owed by directors	2,767	2,139
	4,411	**4,347**

At the reporting date, the Group was owed £2,767k (2020: £2,139k) by two Directors (2020: two). Further details are provided in note 32.

The balance owed by one Director at the reporting date was £2,615k (2020: £2,327k). Of this, a loan of £2,534k (2020: £1,966k), accrues at an interest rate of 4.95% per annum and is repayable on 30 October 2025. During the reporting period, advances under the loan of £493k were made (2020: nil).

The balance owed by another Director at the reporting date was £151k (2020: £128k). The loan bears interest of 3% per annum and repayment will be solely from the proceeds realised from the sale of the shares legally and beneficially owned by the Director upon a future exit from the business. During the reporting period, advances under the loan of £20k were made (2020: nil).

Other receivables include £570k (2020: £570k) of refundable tax paid to HMRC in relation to Directors loans and £139k (2020: nil) represented proceeds expected to be received from the liquidation of Urban Exposure plc following the cancellation of the listed shares.

21 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	229	185
Other taxation and social security costs	(30)	-
Accruals and deferred income	588	548
Other payables	296	-
Amounts owed to affiliate entities	3,975	8,898
	5,058	**9,631**

Amounts owed to affiliate entities £3,975k (2020: 8,898k) relate to the deferred consideration for the loan book sale owed by Cloverleaf 376 Limited ("C376") to Wellesley Secured Finance plc. The Borrower Security Trustee, Wellesley Security Trustees Limited ("WSTL") has obtained debenture security from C376 which secures these payment obligations. As part of the security granted to WSTL, Wellesley Finance Limited also granted a guarantee to secure C376's obligations and a charge over its shares in C376. The obligations of C376 were satisfied in full in 2022, see note 34 for further details.

22 Interest-bearing loans and borrowings

	2021 £'000	2020 £'000
At the beginning of the year	-	118,731
Issued in the year	-	-
Redeemed in the year	-	(37,967)
Net accrued interest movement	-	2,387
Transaction costs, net	-	474
Derecognition of interest-bearing loans and borrowings under CVA	-	(83,625)
At the end of the year	**-**	**-**

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

23 Other expenses

	2021 £'000	2020 £'000
Provision for expected credit losses	1,485	14
Write-off of loans and advances to customers	(6,633)	9,928
Write-off of affiliate company debt	2	623
Release of provision against ancillary income	(61)	-
	(5,207)	**10,565**

24 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**

25 Deferred considerations (loan book sale)

	2021 £'000	2020 £'000
Deferred considerations (loan book sale)	**12,605**	**28,199**

Amounts owed by Cloverleaf 376 Limited to investors in secured products pertaining to the loan book sale. Amounts owed to Wellesley Secured Finance plc pertaining to the loan book sale are detailed in Trade & Other Payables in note 21 under amounts owed to affiliate entities.

26 Share capital

The Company has Preference Shares in issue which are accounted for as equity due to the following characteristics: (1) They do not have a fixed maturity date; (2) They are not redeemable by the equity holder; (3) Dividends are only due to the shareholders if declared by the Company; (4) They may be settled via the issuance of additional equity instruments of the Company; and (5) They are only repaid on a liquidation after all other creditors and liabilities are repaid, and hence bear equity risk. Share capital comprises:

	2021 £'000	2020 £'000
2,341,520 issued ordinary shares at £1 each (2020: 789,188)	2,342	2,342
20,551 "Growth" shares at £0.10p each (2020: 20,551)	2	2
2,525,000 preference shares at £0.10p each (2020: 2,525,000)	253	253
9,713,644 preference shares at £1 each (2020: 'nil')	9,714	-
1,100 convertible preferred shares at £100 each (2020: 21,100)	110	2,110
	12,420	**4,706**

All ordinary shares of £1 each are fully paid up at the year end. The shares have full voting, dividend and capital distribution (including winding up) rights and are not redeemable.

All preference shares of £0.10 each are fully paid up at the year end. The shares are not redeemable by the equity holder, have no voting rights, limited dividend rights and full capital distribution (including winding up) rights. The shares are entitled to a fixed coupon of 8% per annum which is compounded annually and only paid out of available profits if a dividend is declared by the Company. The Company assesses the fair value of the fixed coupon liability to be zero and so the preference share capital is recognised as equity.

All convertible preferred shares of £100 each are fully paid up at the year end. The shares are not redeemable by the equity holder, have no voting rights, limited dividend rights and full capital distribution (including winding up) rights. The shares are entitled to a fixed coupon of 8% per annum which is compounded annually and only paid out of available profits if a dividend is declared by the Company. The Company assesses the fair value of the fixed coupon liability to be zero and so the convertible preferred share capital is recognised as equity.

All growth shares of £0.10 each are fully paid up at the year end. The shares have no voting and dividend rights, and conditional capital distribution (including winding up) rights.

In December 2021, Wellesley Finance Limited issued 9,713,644 preference shares at £1 each (2020: 'nil'). The share capital of Wellesley Finance Limited was increased to £9,764k (2020: £50k). 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.

In June 2021, the issued share capital of the Company was reduced from £4.7m to £2.7m by cancelling and extinguishing 20,000 convertible preferred shares of £100 each in the Company, each of which is fully paid up and the amount by which the share capital was so reduced resulted in repayments of £2m to two holders of the convertible preferred shares.

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

27 Reserves

Share premium:	2021 £'000	2020 £'000
2,525,000 preference shares at £0.90p premium per share (2020: 2,525,000)	2,273	2,273
112,191 shares at £18.01 premium per share (2020: 112,191)	2,020	2,020
1,440,141 bonus shares at £1 each nominal value (2020: 1,440,141)	(1,440)	(1,440)
	2,853	**2,853**

Retained earnings:

Retained earnings consists of cumulative profits from current and prior reporting periods.

28 Financial instruments and fair values

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

2021	Fair value through profit or loss	Assets/liabilities at amortised cost	Total
	£'000	£'000	£'000
Loans and advances to customers	-	9,225	**9,225**
Cash and cash equivalents	-	4,249	**4,249**
Other receivables	-	1,644	**1,644**
Director's loans	-	2,767	**2,767**
Investment in listed shares	4,049	-	**4,049**
Total financial assets	**4,049**	**17,885**	**21,934**
Deferred considerations (loan book sale)	-	12,605	**12,605**
Compromised creditors	-	376	**376**
Other payables	-	1,083	**1,083**
Amounts owed to affiliate entities	-	3,975	**3,975**
Total financial liabilities	**-**	**18,039**	**18,039**

2020	Fair value through profit or loss	Assets/liabilities at amortised cost	Total
	£'000	£'000	£'000
Loans and advances to customers	-	45,909	**45,909**
Cash and cash equivalents	-	8,623	**8,623**
Other receivables	-	2,209	**2,209**
Director's loans	-	2,139	**2,139**
Investment in listed shares	7,559	-	**7,559**
Total financial assets	**7,559**	**58,881**	**66,439**
Deferred considerations (loan book sale)	-	28,199	**28,199**
Compromised creditors	-	25,173	**25,173**
Other payables	-	733	**733**
Amounts owed to affiliate entities	-	8,898	**8,898**
Total financial liabilities	**-**	**63,003**	**63,003**

The Group uses amortised cost as an approximation for the fair value of loans and advances. Amortised cost is a reasonable proxy for fair value due to the following: (i) application of the current interest rate in the EIR calculation; and (ii) the term of the loans and advances are short term.

Fair values of financial assets and financial liabilities are based on quoted market prices. If the market is not active, the Group 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 Group takes into account changes in credit risk and other observable data in order to reflect the measurement of financial liabilities.

The Group 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).

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 Group determines fair values using valuation techniques.

The following table provides an analysis of financial assets (there are no equivalent financial 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**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Financial assets				
Investment in listed shares	4,049	-	-	**4,049**
Total financial assets	**4,049**	**-**	**-**	**4,049**

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Financial assets				
Investment in listed shares	7,559	-	-	**7,559**
Total financial assets	**7,559**	**-**	**-**	**7,559**

29 Commitments and contingent liabilities

At 31 December 2020, the Company had undrawn commitments to lend of £35m (2019: £52m) assuming that all loans are operating within their contractual terms.

The below details the split of amounts falling due in respect of total contractual cashflows on loans and advances:

	2021	**2020**
Amounts falling due:	£'000	£'000
Within one year	-	29,570
In the second to fifth year inclusive	-	5,446
	-	**35,016**

Wellesley & Co Limited terminated the lease on its office premises in September 2020 and vacated the premises in December 2020, the right of use asset was derecognised accordingly.

30 Risk management

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

- Credit risk;
- Liquidity risk;
- Build and cost management;
- Market risk;
- Reputational risk;
- Risk of potential fraud; and
- Operational and people risk

Credit risk
As a loan participant, the Group is exposed to the credit risk of its borrowers. For each loan, the Group obtains a legal charge on the assets it is lending against. It is acknowledged that the property market is cyclical and until recently, the Company had been 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 withdrawal of government initiatives such as 'Help to Buy', combined with higher interest rates and higher inflation has resulted in less favourable lending conditions given the impact on purchasers and developers, respectively. Moreover, the evolution of fiscal policy in the UK has led to volatility in the financial markets which has adversely affected the mortgage market. It remains to be seen whether such effects are transitory or whether they weigh on demand for housing which could lead to a reduction in house prices. All such factors would be considered less favourable 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 Group's internal credit rating policy follows a 5-category system which rates loans as either: Strong, Good, Satisfactory, Weak or Default.

Factors that help determine and define the categories of credit rating include: the loan to gross development value %; the loan to original land value %: the level and quality of security obtained; the repayment period; compliance with loan covenants; and the progress of development work.

The below details the credit quality of the loans and advances to customers:

	2021	2020
IFRS 9 Staging Categorisation	£'000	£'000
Loans in Stage 1	-	45,846
Loans in Stage 2	6,587	-
Loans in Stage 3	4,115	54
Loans and advances to customers (refer to note 14)	**10,702**	**45,900**

The above does not include a capital balance of £104k (2020: £104k) for investment by Wellesley Finance Limited in listed bonds issued by Wellesley Secured Finance plc.

At 31 December 2021, all loans and advances to customers are operating under a 'Rolled' interest basis meaning that the loan interest is added to value of the loan, rather than being paid regularly ("Serviced"). As a result, there are no overdue amounts as at 31 December 2021 (2020: nil).

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

	2021	2020
Financial assets	£'000	£'000
Cash and cash equivalents	4,249	8,623
Loans and advances to customers	9,225	45,909
Other assets	4,411	4,348
	17,885	**58,880**
Contractual commitments	-	49,998
Total credit risk	**17,885**	**108,878**

Contractual commitments represent agreements entered into but not advanced assuming that all loans are operating within their contractual terms as at 31 December 2021, in the comparative period this also included cash distribution obligations of Wellesley Finance Limited created under the CVA that were settled during the reporting period.

Collateral, based on the underlying development asset, held in relation to secured loans is capped at the amount outstanding on an individual basis. Total collateral in respect of loans and advances held at 31 December 2021 was £13.4m (2020: £140m). Where the amount outstanding on a loan and advance exceeds the collateral and is underperforming, the Group will consider including a provision in the financial statements.

Liquidity risk
The Group is exposed to the liquidity risk arising from the requirement to fund its operations. The Group maintains adequate cash reserves which could be supplemented by leveraging its assets and/or asset disposal. The Group monitors its forward cash flow position regularly and the new lending strategy is focused on direct 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.

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	229	-	-	-
Deferred considerations (loan book sale)	-	12,605	-	-
Other taxation and social security costs	(30)	-	-	-
Accruals and deferred income	588	-	-	-
Other payables	296	-	-	-
Compromised creditors	-	376	-	-
Amounts owed to affiliate entities	-	3,975	-	-
	1,083	**16,956**	**-**	**-**

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
Trade payables	185	-	-	-
Deferred considerations (loan book sale)	-	28,199	-	-
Accruals and deferred income	548	-	-	-
Compromised creditors	-	25,173	-	-
Amounts owed to affiliate entities	-	8,898	-	-
	733	**62,270**	**-**	**-**

Build and cost management
The Group is directly and indirectly exposed to the risks from the development process and is particularly sensitive to build costs and timeframes which could have an adverse impact on cash flow and profitability. Poor build quality and time management can lead to additional costs being incurred and tarnish the reputation of the Groups underlying developments. Build programmes are closely monitored by key personnel in the group and third party professionals.

Market risk
The Group is exposed to the risk that the value of, or income arising from, the Group's assets and liabilities change because of changes to interest rates. The Group's finance function is responsible for managing the Group's exposure to all aspects of interest rate risk.

The Group 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 the loan and lending products that we offer.

In particular, changes to interest rates could potentially impact the value of the properties to which the loans and advances of the Group are secured against.

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 Group has no exposure to floating rate instruments, although the Group'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 Group has low levels of foreign exchange risk which is accepted and closely monitored. Historically, when FX risk was greater, it was managed by use of cross-currency derivatives; all such contracts were closed during the period. The table below sets out the Group's exposure to foreign exchange risk:

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

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

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

Interest rate sensitivity gap
The interest rate on the total value of the loan portfolio of £10,702k (2020: £45,900k) is fixed. The Group has no exposure to floating interest rates on the loan portfolio. The Group considers a 200 basis points ("bps") movement to be appropriate for scenario testing given the guidance by the Bank of England Monetary Policy Committee on expectations of future long-term interest rates. The Group estimates that a +/- 200 bps movement in interest rates paid / received would have impacted the overall balance sheet net asset values as follows:

- +/- 200 bps - +/-£213k (2020: +/-£204k)

Capital risk
The Group'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	12,420	4,706
Retained earnings	9,362	(4,093)
Common equity capital	**21,782**	**613**
Interest-bearing loans and borrowings	-	-
Other capital	-	-
Total capital base	**21,782**	**613**

The Group is not subject to external regulatory capital requirements. The Group is meeting its objectives for managing capital by issuing shares and raising debt where necessary. However, the capital levels are monitored both at a Group level and throughout the Wellesley Group. There have been no changes in the Group's objectives, policies and processes for managing capital from the previous period.

31 Business combinations

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity %
Generator (Chocolate Factory) LLP	Property development	25 October 2021	100%
Chocolate Factory Residents Management Company Limited	Property management	25 October 2021	100%

Consideration

	Chocolate Factory Residents Management Company Limited	Generator (Chocolate Factory) LLP
Cash	-	£10
Guarantee	100%	-

On 26 October 2021, the Group acquired the membership interest in Generator (Chocolate Factory) LLP and its subsidiary Chocolate Factory Residents Management Company Limited for a consideration of £10. Under the terms of agreement Wellesley Group Limited ("WGL") acquired 99.9% of the membership interest and Wellesley Finance Limited ("WFL") acquired 0.1%. There were no contingent considerations to be paid after the completion of acquisition.

Assets acquired and liabilities recognised at the date of acquisition

	Generator (Chocolate Factory) LLP £	Chocolate Factory Residents Management Company Limited £
Current assets		
Cash and cash equivalents	150,283	-
Trade and other receivables	1,580,199	1
Non-current assets		
Inventories and work in progress	17,389,885	-
Current liabilities		
Trade and other payables	21,391,600	-
Share capital	10	1
	2,271,242	-

Goodwill arising on acquisition

Goodwill of £2.27m arose in the acquisition of Generator (Chocolate Factory) LLP, the cost of the combination included a control premium. The net liabilities of the acquired entity were £2.27m and the consideration paid for the acquisition was £10. The consideration paid for the combination included all amounts in relation to the benefit of expected synergies, revenue growth and future market development of newly acquired subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

No goodwill arose in the acquisition of Chocolate Factory Residents Management Company Limited as the cost of the combination did not include any control premium.

Net cash outflow on acquisition of subsidiaries

The Group acquired the membership interest in Generator (Chocolate Factory) LLP and its subsidiary Chocolate Factory Residents Management Company Limited for a consideration of £10. There were no contingent considerations to be paid after the completion of acquisition.

Impact of acquisitions on the results of the Group

Included in the profit for the year is a gain of £20.9k attributable to the additional business generated by Generator (Chocolate Factory) LLP. Chocolate Factory Residents Management Company Limited did not generate a profit or loss during the reporting period. Revenue for the year includes £1.67m in respect of Generator (Chocolate Factory) LLP and £nil in respect of Chocolate Factory Residents Management Company Limited.

32 Related party transactions

Related parties of the Group 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 with fellow subsidiaries of Wellesley Group Investors Limited:

	2021	2020
	£'000	£'000
Amounts owed to affiliate entities	3,975	8,898
Amounts owed by Directors	2,767	2,139
	6,742	**11,037**

Amounts owed by Directors comprise of loans to two directors (2020: two).

The balance owed by one Director at the reporting date was £2,615k (2020: £2,327k). Of this, a loan of £2,534k (2020: £1,966k), accrues at an interest rate of 4.95% per annum and is repayable on 30 October 2025. During the reporting period, advances under the loan of £493k were made (2020: nil).

The balance owed by another Director at the reporting date was £151k (2020: £128k). The loan bears interest of 3% per annum and repayment will be solely from the proceeds realised from the sale of the shares legally and beneficially owned by the Director upon a future exit from the business. During the reporting period, advances under the loan of £20k were made (2020: nil).

Amounts owed to affiliate entities £3,975k (2020: 8,898k) relate to the deferred consideration for the loan book sale owed by Cloverleaf 376 Limited ("C376") to Wellesley Secured Finance plc. The Borrower Security Trustee, Wellesley Security Trustees Limited ("WSTL") has obtained debenture security from C376 which secures these payment obligations. As part of the security granted to WSTL, Wellesley Finance Limited also granted a guarantee to secure C376's obligations and a charge over its shares in C376. The obligations of C376 were satisfied in full in 2022, see note 34 for further details.

33 Ultimate controlling party

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

34 Events after the statement of financial position date

1. Completion of the Wellesley Finance CVA

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.

2. Settlement of deferred consideration by Cloverleaf 376 Limited

Cloverleaf 376 Limited settled the deferred consideration in relation to the final Loan Book Sale ("LBS") by making payments of £12.2m and £4.4m in March 2022 and April 2022, respectively, meaning that all obligations under the LBS have been settled.

3. Reduction in share capital & redemption of preference shares

On 17 May 2022, the share capital of the Company was reduced by cancelling and extinguishing:

a) 20,551 growth shares of £0.10
b) 1,100 convertible preferred shares of £100.00

Each of which was fully paid up and the amount by which the share capital was so reduced and repaid to the holders of those shares.

Also on 17 May 2022, the Company redeemed 175,000 preference shares of £0.10 each.

WELLESLEY GROUP INVESTORS LIMITED

Company Statement of Comprehensive Income
for the year ended 31 December 2021

	Notes	2021	2020
		£'000	£'000
Other fee income		3	3
Total operating income		**3**	**3**
Administrative expenses	35	(342)	(586)
Impairment of inter-company assets		17,889	(2,444)
Profit/(loss) before tax		**17,550**	**(3,027)**
Income tax charge	37	-	-
Profit/(loss) after taxation		**17,550**	**(3,027)**
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		**17,550**	**(3,027)**

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 to the Company Statement of Comprehensive Income set out on 46 to 50 form an integral part of these financial statements.

WELLESLEY GROUP INVESTORS LIMITED

Company Statement of Financial Position
as at 31 December 2021

	Notes	2021	2020
		£'000	£'000
Assets			
Non-current assets			
Investment in group undertakings	38	-	-
		-	-
Current assets			
Cash and cash equivalents	39	278	4,721
Other receivables	40	19,549	236
Total assets		**19,827**	**4,957**
Liabilities			
Trade and other payables	41	20,706	21,386
		20,706	**21,386**
Net liabilities		**(879)**	**(16,429)**
Equity			
Share capital	42	2,706	4,706
Share premium	43	2,853	2,853
Accumulated loss	43	(6,438)	(23,988)
Total equity		**(879)**	**(16,429)**

These financial statements were approved and authorised for issue by the Board of directors on 15 December 2022 and were signed on its behalf by:

Andrew Turnbull
Director
Company number 08478238

The accounting policies and notes to the Company Statement of Financial Position set out on 46 to 50 form an integral part of these financial statements.

WELLESLEY GROUP INVESTORS LIMITED

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

	Share capital £'000	Share premium £'000	Accumulated loss £'000	Total equity £'000
Balance at 1 January 2021	**4,706**	**2,853**	**(23,988)**	**(16,429)**
Total comprehensive income for the year				
Profit for the year	-	-	17,550	17,550
Total comprehensive income for the year	**-**	**-**	**17,550**	**17,550**
Transactions with owners recorded directly in equity:				
Redemption of shares	(2,000)	-	-	(2,000)
Total contributions by and distributions to owners	**(2,000)**	**-**	**-**	**(2,000)**
Balance at 31 December 2021	**2,706**	**2,853**	**(6,438)**	**(879)**

	Share capital £'000	Share premium £'000	Accumulated loss £'000	Total equity £'000
Balance at 1 January 2020	**4,706**	**2,853**	**(20,961)**	**(13,402)**
Total comprehensive income for the year				
Loss for the year	-	-	(3,027)	(3,027)
Total comprehensive income for the year	**-**	**-**	**(3,027)**	**(3,027)**
Balance at 31 December 2020	**4,706**	**2,853**	**(23,988)**	**(16,429)**

The accounting policies and notes to the Company Statement of Changes in Equity set out on 46 to 50 form an integral part of these financial statements.

WELLESLEY GROUP INVESTORS LIMITED

Company Statement of Cash Flows
for the year ended 31 December 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit before taxation	17,550	(3,027)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	-	12
Impairment losses on inter-company balances	(17,889)	2,444
	(339)	(571)
Adjustments for working capital items and loans & advances:		
Increase in other assets	(1,422)	(1,801)
(Decrease)/increase in other liabilities	(682)	7,057
Net cash flows (utilised by)/generated from operating activities	**(2,443)**	**4,685**
Cash flows from investing activities		
Net purchase of tangible and intangible assets	-	(2)
Net cash utilised by investing activities	**-**	**(2)**
Cash flows from financing activities		
Redemption of convertible preference shares	(2,000)	-
Net cash utilised by financing activities	**(2,000)**	**-**
Net (decrease)/increase in cash and cash equivalents	**(4,443)**	**4,683**
Cash and cash equivalents at the start of the year	4,721	38
Cash and cash equivalents at the end of the year	**278**	**4,721**

The accounting policies and notes to the Company Statement of Cash Flows set out on 46 to 50 form an integral part of these financial statements.

35. Administrative expenses (company)

	Note	2021 £'000	2020 £'000
Director's remuneration	36	218	147
Depreciation & amortisation		-	12
Direct office costs		34	78
Legal & professional		94	105
Consultancy costs		-	(25)
IT costs		(10)	143
Write-off of group intercompany debt		-	13
Other administrative expenses		6	113
		342	**586**

36. Director's remuneration (company)

Staff costs have been allocated per department as follows:

	2021 £'000	2020 £'000
Wages and salaries		
Directors	194	125
	194	**125**
Social security costs	18	15
Employee benefits	6	7
	218	**147**

The average number of persons employed by the Company during the year, including Non-Executive Directors, was 3 (2020: 2). There were no pension contributions for the Directors (2020: nil).

37. Taxation (company)

	2021 £'000	2020 £'000
Recognised in the Statement of Comprehensive Income	-	-
Current tax	-	-
Deferred tax	-	-
Total tax charge	-	-
Reconciliation of tax charge:		
Profit/(loss) on ordinary activities before tax	17,549	(3,027)
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2020: 19%)	3,334	(575)
Effects of:		
Adjustments in respect of prior years	-	14
Expenses not deductible	-	481
Effect of changes in tax rates	-	(73)
Effects of group relief/other reliefs	(3,334)	-
Amounts not recognised	-	153
Total tax charge	-	-

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 £4,437k (2020: £4,095k).

38. Investments in subsidiaries (company)

	2021 £	2020 £
At beginning of year	2	2
Disposal	(1)	(1)
Capital injections - share capital	1	1
At end of year	**2**	**2**

Particulars of the Company's subsidiaries as at 31 December 2020 were as follows:

(i) 1 ordinary share of £1 share capital in Wellesley Group Limited
(ii) 1 ordinary share of £1 share capital in Cloverleaf 375 Limited

The subsidiaries were considered as not impaired at the reporting date.

The Group has the following subsidiary companies whose results are included in the consolidated financial statements:

Company Name	Country of incorporation	Class of share held	Ownership	Principal activity
Wellesley & Co Limited[3]	England & Wales	Ordinary	100%	Bond platform
Wellesley Finance Limited[3]	England & Wales	Ordinary	100%	Property lending
Wellesley Investment Services Limited[3]	England & Wales	Ordinary	100%	Managing an investment
Wellesley Bridging Co Limited[3]	England & Wales	Ordinary	100%	Financing company
Wellesley Nominees Limited[3]	England & Wales	Ordinary	100%	Nominee company
Wellesley Group Limited*	England & Wales	Ordinary	100%	Holding company
Freshford Mill Limited[3]	England & Wales	Ordinary	100%	Property management
Freshford Mill Development (Phase 2) Limited[3]	England & Wales	Ordinary	100%	Property development
Generator (Chocolate Factory) LLP[4]	England & Wales	LLP	100%	Property development
Chocolate Factory Residents Management Company Limited[5]	England & Wales	Limited by guarantee	100%	Property management
Cloverleaf 374 Limited[3]	England & Wales	Ordinary	100%	Managing an investment
Cloverleaf 375 Limited[1]	England & Wales	Ordinary	100%	Managing an investment
Cloverleaf 376 Limited[2]	England & Wales	Ordinary	100%	Property lending company

1 100% owned by Wellesley Group Investors Limited
2 100% owned by Wellesley Finance Limited
3 100% owned by Wellesley Group Limited
4 99.9% owned by Wellesley Group Limited, 0.10% owned by Wellesley Finance Limited
5 100% owned by Generator (Chocolate Factory) LLP

The registered address of all subsidiary companies is 483 Green Lanes, London, England, N13 4BS.

During the period, Wellesley Servicing Company Limited was dissolved, and the Group incorporated Freshford Mill Limited and Freshford Mill Development (Phase II) Limited on 5 January 2021 and 9 February 2021 respectively as new subsidiaries. The Group owns £1 share capital in each newly incorporated subsidiary.

During the reporting period, the Group acquired Chocolate Factory Residents Management Company Limited, company number 12327815. The Group also acquired 100% membership interest in Generator (Chocolate Factory) LLP registration number OC385309 registered in England & Wales.

39. Cash and cash equivalents (company)

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

	31 December 2021 £'000	31 December 2020 £'000
Cash at bank & in hand	**278**	**4,721**

40. Other receivables (company)

	2021 £'000	2020 £'000
Other receivables	27	27
Prepayments	2	35
Amounts owed by group undertakings	19,288	46
Amounts owed by directors	232	128
	19,549	**236**

The amounts owed by group undertakings of £19,288k (2020: £46k) is net of expected credit losses. There was no provision required at the reporting date (2020: £17,889k), following an assessment of the recoverability of inter-company balances, each with an estimate for potential loss.

Amounts owed by group undertakings are interest-free unsecured advances that have no specific repayment date but are repayable on demand.

Amounts owed by Directors comprise of loans to two directors (2020: one).

During 2021, the Company transferred a Director's loan of £81k (2020: £45k) from one of its subsidiaries. The loan is non-interest bearing and is repayable on demand.

The balance owed by another Director at the reporting date was £151k (2020: £128k). The loan bears interest of 3% per annum and repayment will be solely from the proceeds realised from the sale of the shares legally and beneficially owned by the Director upon a future exit from the business. During the reporting period, advances under the loan of £20k were made (2020: nil).

41. Trade and other payables (company)

	2021 £'000	2020 £'000
Trade payables	3	-
Other taxation and social security costs	5	-
Other payables	5	1
Accruals and deferred income	69	123
Amounts owed to group undertakings	20,624	21,263
	20,706	**21,386**

Amounts owed to group undertakings are interest-free unsecured advances that have no specific repayment date but are repayable on demand.

42. Share capital (company)

The Company have Preference Shares in issue which are accounted for as equity due to the following characteristics: (1) They do not have a fixed maturity date; (2) They are not redeemable by the equity holder; (3) Dividends are only due to the shareholders if declared by the Company; (4) They may be settled via the issuance of additional equity instruments of the Company; and (5) They are only repaid on a liquidation after all other creditors and liabilities are repaid, and hence bear equity risk.

Share capital consists of:

	2021 £'000	2020 £'000
2,341,520 issued ordinary shares at £1 each (2020: 789,188)	2,342	2,342
20,551 "Growth" shares at £0.10p each (2020: 20,551)	2	2
2,525,000 preference shares at £0.10p each (2020: 2,525,000)	253	253
9,713,644 preference shares at £1 each (2020: 'nil')	9,714	-
1,100 convertible preferred shares at £100 each (2020: 21,100)	110	2,110
	12,420	**4,706**

In June 2021, the issued share capital of the Company was reduced from £4.7m to £2.7m by cancelling and extinguishing 20,000 convertible preferred shares of £100 each in the Company, each of which is fully paid up and the amount by which the share capital was so reduced resulted in repayments of £2m to two holders of the convertible preferred shares.

All ordinary shares of £1 each are fully paid up at the year end. The shares have full voting, dividend and capital distribution (including winding up) rights and are not redeemable. The only reserves at the year-end are the retained earnings which represent all retained profits and losses.

43. Reserves (company)

Share premium:	2021 £'000	2020 £'000
2,525,000 preference shares at £0.90p premium per share (2020: 2,525,000)	2,273	2,273
112,191 shares at £18.01 premium per share (2020: 112,191)	2,020	2,020
1,440,141 bonus shares at £1 each nominal value (2020: 1,440,141)	(1,440)	(1,440)
	2,853	**2,853**

Accumulated loss:
Retained earnings consists of cumulative loss from current and prior reporting periods.

44. Related party transactions (company)

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 following are amounts owed by subsidiaries and other related parties:

	2021	2020
	£'000	£'000
Amounts owed by subsidiaries	19,288	46
Amounts owed by Directors	232	128
	19,520	**174**

Amounts owed by Directors comprise of loans to two directors (2020: one). During 2021, the Company transferred a Director's loan of £81k (2020: £45k) from one of its subsidiaries. The loan is non-interest bearing and is repayable on demand.

The balance owed by another Director at the reporting date was £151k (2020: £128k). The loan bears interest of 3% per annum and repayment will be solely from the proceeds realised from the sale of the shares legally and beneficially owned by the Director upon a future exit from the business. During the reporting period, advances under the loan of £20k were made (2020: nil).

45. Ultimate controlling party (company)

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

46. Events after the statement of financial position date (company)

1. Reduction in share capital & redemption of preference shares

On 17 May 2022, the share capital of the Company was reduced by cancelling and extinguishing:
a) 20,551 growth shares of £0.10
b) 1,100 convertible preferred shares of £100.00

Each of which was fully paid up and the amount by which the share capital was so reduced and repaid to the holders of those shares.

Also on 17 May 2022, the Company redeemed 175,000 preference shares of £0.10 each.