



Wellesley

WELLESLEY FINANCE PLC

£500,000,000

Euro Medium Term Note Programme

This supplement (the “**Supplement**”) constitutes a supplement to the base prospectus dated 28 March 2019 (the “**Base Prospectus**”) and has been prepared in connection with the £500,000,000 Euro Medium Term Note Programme (the “**Programme**”) of Wellesley Finance plc (the “**Issuer**”).

The Supplement comprises a supplement in accordance with Article 16 of Directive 2003/71/EC (as amended or superseded, the “**Prospectus Directive**”). This Supplement has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish law and EU law pursuant to the Prospectus Directive.

The Supplement is supplemental to, and shall be read in conjunction with, the Base Prospectus. Unless otherwise defined in this Supplement, terms defined in the Base Prospectus have the same meaning when used in this Supplement. The Base Prospectus is available on the website of Euronext Dublin at:

https://www.ise.ie/debt_documents/Base%20Prospectus_be45e1c8-291d-48fd-beb7-e3d33a9afdee.PDF

This Supplement is available for inspection physically in hard copy at the registered office of the Issuer.

Responsibility

The Issuer accepts responsibility for the information contained in this Supplement and to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Purpose

The purpose of this Supplement is to:

- (i) incorporate by reference the audited financial statements of the Issuer for the financial year ended 31 December 2018 (together with the audit report thereon) (the “**2018 Financial Statements**”) which include a restatement of prior period financial statements;
- (ii) incorporate by reference the unaudited financial statements of the Issuer for the six-month period ended 30 June 2019 (the “**Half-Year Accounts**”);
- (iii) update certain elements of the summary section (the “**Summary**”) set out in the Base Prospectus to (a) include updated key financial information as at and in respect of the financial year ended 31 December 2018 and as at and in respect of the six-month period ended 30 June 2019; and (b) update in respect of certain recent developments;

- (iv) update certain recent developments relating to the Issuer and its existing funding; and
- (v) provide updated ‘no significant change’ and ‘no material adverse change’ statements.

Incorporation by Reference of the 2018 Financial Statements

On 24 December 2019, the Issuer released its 2018 Financial Statements. The 2018 Financial Statements have been filed with the Central Bank of Ireland. The 2018 Financial Statements appear on pages 10 to 41 of the Issuer’s Annual Report for the year ended 31 December 2018, which can be found on the Issuer’s website via the following link: www.wellesley.co.uk/wf2018.

On 12 February 2020, the Issuer released its Half-Year Accounts. The Half-Year Accounts have been filed with the Central Bank of Ireland. The Half-Year Accounts appear on pages 8 - 11 of the Issuer’s Half-Year Accounts for the six-months ended 30 June 2019, which can be found on the Issuer’s website via the following link: www.wellesley.co.uk/wf2019HY.

By virtue of this Supplement, the 2018 Financial Statements and the Half-Year Accounts are incorporated into, and form part of, the Base Prospectus. Any information contained in the Issuer’s Annual Report for the year ended 31 December and/or the Issuer’s Half-Year Accounts for the six-months ended 30 June 2019 which are not incorporated by reference into this Supplement are either not relevant to investors or are covered elsewhere in the Base Prospectus as amended by this Supplement.

Updates to the Summary of the Base Prospectus

With effect from the date of this Supplement, the information appearing in the Base Prospectus shall be amended in the manner described below:

- (a) the financial information relating to the Issuer in Items B.12 and B.13 of the Summary shall be amended by the deletion thereof and the substitution of the following therefor:

B.12	Selected historical key financial information	The following tables set out (i) the summary audited statement of financial position, summary audited statement of income, summary audited statement of other comprehensive income and summary audited statements of cash flows of the Issuer as at and for the financial years ended 31 December 2017 and 31 December 2018 (together with comparative information from the previous financial year) and (ii) the summary unaudited statement of financial position, summary unaudited statement of income, summary unaudited statement of other comprehensive income and summary unaudited statements of cash flows of the Issuer as at and for the six month periods ended 30 June 2018 and 30 June 2019. Such information is extracted from (i) the audited financial statements of the Issuer for the financial years ended 31 December 2017 and 31 December 2018 (the “ Issuer’s Financial Statements ”) and (ii) the unaudited financial statements of the Issuer for the six-month periods ended 30 June 2018 and 30 June 2019 (the “ Issuer’s Half-Year Accounts ”). The Issuer’s Financial Statements and the Issuer’s Half-Year Accounts were prepared in accordance with International Financial Reporting Standards (“ IFRS ”) as adopted by the European Union.
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The selected financial information presented below should be read, in particular, in conjunction with the Issuer's Financial Statements and the Issuer's Half-Year Accounts.

BDO LLP has audited the Issuer's Financial Statements for the year ended 31 December 2017 and has issued an unqualified auditor's report covering the 12-month period then ended. Haysmacintyre LLP has audited the Issuer's Financial Statements for the year ended 31 December 2018 and has issued an unqualified auditor's report covering the 12-month period then ended. The Issuer's Half-Year Accounts have not been audited.

Statement of financial position

	As at 30 June		As at 31 December	
	2019	2018	2018	2017
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(restated audited)</i>
	(£)			
Assets				
Non-current assets				
Intangible assets	29,339	47,505	38,422	56,588
Loans and advances to customers...	22,625,693	27,459,104	23,437,309	24,635,369
Current assets				
Cash and cash equivalents	6,307,240	13,298,428	1,780,735	11,997,246
Loans and advances to customers...	54,301,664	35,816,223	56,249,541	32,133,090
Derivative financial assets	—	—	—	240,190
Other assets	17,726,490	20,209,522	17,496,662	16,418,125
Total assets	100,991,251	96,831,608	99,003,494	85,241,243
Liabilities				
Current liabilities				
Other liabilities	6,319,315	9,169,668	8,080,161	6,074,187
Interest-bearing loans and borrowings	27,004,733	11,138,737	25,577,617	10,193,492
Derivative financial liabilities	—	—	—	—
Non-current liabilities				
Interest-bearing loans and borrowings	78,089,377	74,588,033	73,962,595	68,258,418
Derivative financial liabilities	552,683	219,267	585,858	571,896
Total liabilities	111,966,108	95,115,704	108,206,231	85,097,993
Net assets	(10,974,857)	1,715,904	(9,202,737)	143,250
Equity				
Share capital	50,000	50,000	50,000	50,000

Retained earnings.....	(11,024,857)	1,665,904	(9,252,737)	93,250
Total equity	(10,974,857)	1,715,904	(9,202,737)	143,250

Statement of profit and loss

	For the six-month period ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	(unaudited)	(unaudited)	(audited)	(restated audited)
	(£)			
Interest income	5,489,949	4,194,008	7,675,294	5,720,393
Interest expense.....	(2,690,258)	(2,219,819)	(4,650,953)	(2,637,477)
Net interest income	2,799,691	1,974,189	3,024,341	3,082,916
Fee and commission income	2,294,615	4,436,517	6,916,639	13,875,305
Fee and commission expense	(1,124,438)	(2,348,175)	(4,191,235)	(6,397,427)
Net fee and commission income	1,170,177	2,088,342	2,725,404	7,477,878
Other fee income.....	413,151	487,851	770,758	700,170
Total income	4,383,019	4,550,382	6,520,503	11,260,964
Net income/(expense) from derivatives and other financial instruments at fair value through profit or loss	(225,719)	106,522	(374,631)	60,121
Total operating income	4,157,300	4,656,904	6,145,872	11,321,085
Administrative expenses.....	(3,522,179)	(4,410,815)	(7,521,449)	(6,046,725)
Impairment of loans and advances, net.....	—	—	2,800,000	(6,715,328)
Write off of loans and advances.....	(158,423)	(2,150,661)	(6,055,603)	(274,788)
Amortisation.....	(9,083)	(9,083)	(18,166)	(18,166)
Profit/(loss) from operations	467,615	(1,913,655)	(10,249,346)	4,981,406
Bank interest.....	13	29	32	1,142
Profit/(loss) before tax	467,628	(1,913,626)	(10,249,314)	1,282,863
Income tax (charge)/credit.....	—	—	—	(105,004)
Profit/(loss) after taxation – attributable to the equity holders of the Company	467,628	(1,913,626)	(10,249,314)	1,177,859

Statement of other comprehensive income

	For the six-month period ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017

	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(restated audited)</i>
			(£)	
Profit/(loss) after taxation – attributable to the equity holders of the Company	467,628	(1,913,626)	(10,249,314)	1,177,859
Tax on other comprehensive income	—	—	—	—
Total other comprehensive income for the year, net of taxation	(2,239,748)	3,486,279	903,327	(6,715,328)
Total comprehensive income for the year, net of taxation	(1,772,120)	1,572,653	(9,345,987)	(5,537,469)
Statement of cash flows				
	For the six-month period ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(restated audited)</i>
			(£)	
Cash flows from operating activities				
Profit before taxation	467,628	(1,913,626)	(10,249,314)	1,282,863
Adjustments for non-cash items:				
Amortisation.....	9,083	9,083	18,166	18,166
Net (income)/expense from derivatives and other financial instruments at fair value through profit or loss	(33,174)	(352,628)	13,963	138,072
Impairment losses on inter-company balances loans and advances	—	—	2,800,000	—
Interest expense on loans and borrowings.....	2,690,259	2,219,819	4,650,953	2,637,477
Write off of loans and advances.....	158,423	2,150,661	6,055,603	274,788
Foreign currency revaluation of loans and advances.....	133,172	135,138	64,677	159,996
Adjustments for working capital items and loans & advances:				
Decrease/(increase) in other assets .	(229,829)	(3,791,397)	(3,878,536)	(1,825,738)
(Decrease)/increase in other liabilities	(1,761,610)	3,095,481	2,005,974	(10,868,880)
(Increase) in operating assets	516,244	(5,072,575)	(32,958,802)	(40,669,756)
Net cash flows used in operating activities	1,950,194	(3,520,045)	(31,477,316)	(48,853,012)

		<p>Cash flows from investing activities</p> <p>Purchase of listed bonds (5,000) (225,000) (5,000) (225,000)</p> <p>Sale of portions of loans and advances (253,000) — 4,793,483 5,104,172</p> <p>Net cash generated by investing activities (258,000) (225,000) 4,788,483 4,879,172</p> <p>Cash flows from financing activities</p> <p>Proceeds from interest-bearing loans and borrowings, net of transaction costs 11,815,584 15,144,278 36,390,475 34,245,129</p> <p>Repayment of interest-bearing loans and borrowings..... (7,082,141) (9,063,870) (16,511,538) (5,044,050)</p> <p>Interest payment on loans and borrowings..... (1,869,804) (1,025,368) (3,441,588) (3,426,205)</p> <p>Net cash generated by financing activities 2,863,639 5,055,040 16,437,348 25,774,874</p> <p>Net increase/(decrease) in cash and cash equivalents 4,555,833 1,309,995 (10,251,484) (18,198,966)</p> <p>Cash and cash equivalents at the start of the year..... 1,780,735 11,997,245 11,997,246 30,497,426</p> <p>Foreign currency revaluation of cash balances..... (29,329) (8,811) 34,973 (301,214)</p> <p>Cash and cash equivalents at the end of the year 6,307,240 13,298,428 1,780,735 11,997,246</p>
		<p><i>Note:</i></p> <p>The Issuer's Financial Statements for the 12-month period ending 31 December 2017 have been restated. The reasons for the restatement are summarised as follows, following errors that were identified by the Issuer:</p> <ul style="list-style-type: none"> - Following the introduction of IFRS 9 on 1 January 2018, the Issuer is required to calculate provisions in a different way than under the previous accounting standard (IAS39). The requirement is now to calculate on an expected loss basis, rather than an incurred loss model. As a result, a comparative amount has been required and included for the year ended 31 December 2017. - Interest payable on some interest bearing liabilities was over-accrued in 2017, conversely fees payable to Peer-to-Peer investors were under-accrued. - The calculations of realised and unrealised gains on Derivatives held for risk management purposes were incorrectly calculated during the year ended 31 December 2017. - The accounting model used for the Issuer's loan assets was found to be incorrect during the year, due primarily to a misinterpretation of the accounting standard at the time the model was built. The misinterpretation was compounded by input errors which led to some transactions being duplicated and led to the statement of financial position being overstated.

		<ul style="list-style-type: none"> - An internal VAT review identified a further liability of the Issuer to a related party and hence the liability has been recognised. - Presentational only errors regarding the fees payable to P2P investors. - Updated reconciliation processes and controls are now in place to ensure such errors cannot occur again.
	No material adverse change	There has been no material adverse change in the prospects of the Issuer since the date of the last published audited financial statements for the year ended 31 December 2018.
	Significant changes in financial or trading position	Not applicable; there has been no significant change in the financial or trading position of the Issuer since 30 June 2019.
B.13	Recent events impacting on the Issuer's solvency	On 27 September 2019, the Issuer granted fixed charge security in favour of a syndicate of lenders (the “ Lenders ”) in connection with £20 million in funding (the “ Cloverleaf Secured Funding ”) made available to Cloverleaf 374 Limited (an affiliate company of the Issuer, also wholly owned and controlled by Wellesley Group Limited) by the Lenders on 27 September 2019. The Cloverleaf Secured Funding falls to be repaid to the Lenders on 25 June 2020. As security for the Cloverleaf Secured Funding, the Issuer granted security over two loans (amounting to £43,991,000 of facilities values in aggregate), together with their related receivables and rights, enforceable by the Lenders in the event that Cloverleaf 374 Limited fails to repay the Cloverleaf Secured Funding to the Lenders when due. Accordingly, potential investors should be aware that if the Issuer is unable to pay its debts and is wound-up, the Lenders will rank ahead of the Noteholders to the extent of its claims in connection with the Cloverleaf Secured Funding and accordingly the Cloverleaf Secured Funding would be repaid in full before any remaining proceeds were available for distribution to other creditors of the Issuer (including the Noteholders). If the remaining surplus proceeds (if any) proved to be insufficient to cover all amounts due and payable to Noteholders in respect of the Notes, then Noteholders would lose all or part of their investment in the Notes.

- (b) the paragraph headed “*Significant or material change statement*” in section “*Part XIII: Additional Information*” of the Base Prospectus shall be amended by the deletion thereof and the substitution of the following therefor:

“There has been no significant change in the financial or trading position of the Issuer since 30 June 2019 (being the date to which the last published financial information of the Issuer was prepared). There has been no material adverse change in the prospects of the Issuer since 31 December 2018 (being the date to which the last published audited financial information of the Issuer was prepared).”

Recent Developments

On 27 September 2019, the Issuer granted fixed charge security in favour of a syndicate of lenders (the “**Lenders**”) in connection with £20 million in funding (the “**Cloverleaf Secured Funding**”) made available to Cloverleaf 374 Limited (an affiliate company of the Issuer, also wholly owned and controlled by Wellesley Group Limited) by the Lenders on 27 September 2019. The Cloverleaf Secured Funding falls to be repaid to the Lenders on 25 June 2020. As security for the Cloverleaf Secured Funding, the Issuer granted security over two loans (amounting to £43,991,000 of facilities values in aggregate), together with their related receivables

and rights, enforceable by the Lenders in the event that Cloverleaf 374 Limited fails to repay the Cloverleaf Secured Funding to the Lenders when due. Accordingly, potential investors should be aware that if the Issuer is unable to pay its debts and is wound-up, the Lenders will rank ahead of the Noteholders to the extent of its claims in connection with the Cloverleaf Secured Funding and accordingly the Cloverleaf Secured Funding would be repaid in full before any remaining proceeds were available for distribution to other creditors of the Issuer (including the Noteholders). If the remaining surplus proceeds (if any) proved to be insufficient to cover all amounts due and payable to Noteholders in respect of the Notes, then Noteholders would lose all or part of their investment in the Notes.

General

To the extent that there is any inconsistency between (a) any statement in this Supplement; and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant factor, material mistake or inaccuracy relating to the information included in the Base Prospectus has arisen since the publication of the Base Prospectus.