

BDML Connect Limited

FINANCIAL STATEMENTS

For the year ended

31 December 2017



BDML Connect Limited

DIRECTORS

G Humphreys
K R Spencer
K J Barber
M R Brittain
P F Hampshire
C T Collings
J D Jackson
R L Barrington

SECRETARY

C J Payne

REGISTERED OFFICE

45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

AUDITOR

RSM UK Audit LLP
Chartered Accountants
Hanover House
18 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1ED

BANKERS

National Westminster Bank plc
27 South Street
Worthing
West Sussex
BN11 3AR

BDML Connect Limited

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of insurance intermediaries and insurance agent for the transaction of insurance business.

REVIEW OF THE BUSINESS

As shown in the statement of comprehensive income on page 9, the company's turnover decreased from £9,428,686 in 2016 to £7,984,575 in 2017 and the operating result increased from a profit of £85,958 in 2016 to a profit of £451,762 in 2017. The profit before taxation for the year was £288,322 (2016 : loss £1,070,340).

The statement of financial position on page 10 of the financial statements shows the company's financial position at the year end. Net assets increased from £846,739 in 2016 (restated) to £1,715,853 in 2017, due to the profit for the year. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in notes 7 and 9 to the financial statements. An explanation of the restatement to 2016 is set out in note 15.

KEY PERFORMANCE INDICATORS

The company's KPIs are Turnover, Expenses and Capital Adequacy. Expenses are monitored monthly against the budget by expense type. Variance reporting is a key feature of the process.

KPI	Year to 31 December 2017 £	Year to 31 December 2016 £	Narrative and analysis
Turnover	7,984,575	9,428,686	The decrease is largely due to the cessation of one of BDML's affinity partnerships.
Administrative Expenses	5,283,821	7,878,096	The decrease is largely due to the reduction of management charges from group companies.
Reported capital adequacy surplus	939,211	626,907	The company continues to maintain a substantial margin of regulatory capital in excess of the minimum requirement.

FUTURE DEVELOPMENTS

During the year the company continued its program of migrating all affinity schemes onto a new underwriting and claims processing platform. This program will complete in 2018 and the company will benefit from an enhanced offering to customers and partners that will take advantage of greater self service capabilities and improved customer journeys.

The company utilises Zenith Insurance plc as a principal underwriter, which was a member of Markerstudy Holdings Limited group. On 25 July 2018 Zenith Insurance plc was sold to Qatar Reinsurance Company Limited, but the company continues to work with Zenith Insurance plc and the group has secured long term arrangements, with Qatar Reinsurance Company Limited.

BDML Connect Limited

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

BDML Connect Limited has developed a framework for identifying the risks that the business sectors are exposed to and their impact on economic capital.

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation and legal and ethical standards is a high priority for the company and the compliance team and finance department take on an important oversight role in this regard. The Board is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The principal risk to the company is a failure for pricing increases to keep pace. Changes to the distribution models in the UK also remain a risk. The internet has emerged as the most significant source of new business in recent years. Continually developing a strategy to capitalise on these emerging trends is essential. A wholesale shift in the UK intermediary market resulting in withdrawal of this distribution sector would impact the business model. The company's other risks are in respect of the management of its expenses.

The company utilises Zenith Insurance plc to underwrite a significant proportion of business, but is not reliant on this as there are a number of alternative underwriters in the market. The company does rely on other members of the group not to demand loan balances due but has received an undertaking from the parent company that it will continue to provide support. Further details are set out in the accounting policies note on going concern on page 12.

The company is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due.

(a) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The group manages this risk through an established credit committee which reviews and authorises credit facilities to counterparties after appropriate credit analysis has been performed.

(b) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board maintains a significant proportion of its investments in liquid assets to enable any such calls to be met, subject to group support as set out on page 12.

Risk factors beyond the company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- UK domestic economic business conditions
- The impact of competition, distribution models, inflation and deflation

The directors discuss and consider the impact of these risks to ensure that the business responds appropriately and that the impact of these factors is minimised.

Signed on behalf of the board by:



M R Brittain
Director

27 September 2018

BDML Connect Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of BDML Connect Limited for the year ended 31 December 2017.

A review of the business, its future prospects and its risk management policies are set out in the strategic report.

DIRECTORS

The directors who served the company during the year, and since were as follows:

K J Barber
G Humphreys
K R Spencer
M R Brittain
P F Hampshire
C T Collings
J D Jackson
R L Barrington
M J Holman

Appointed 13 June 2017
Resigned 1 November 2017

DIVIDENDS

No dividends were paid in the year, and the directors do not recommend the payment of a dividend in respect of the year.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of the directors of the company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

RSM UK Audit LLP is deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the board by:



M R Brittain
Director
27 September 2018

BDML Connect Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and the 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 that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 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.

BDML Connect Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BDML CONNECT LIMITED

Opinion

We have audited the financial statements of BDML Connect Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Legality of dividends

We draw attention to note 15 of the financial statements relating to the dividend distributions made in the prior year in excess of distributable reserves in breach of Companies Act 2006 requirements. As detailed in note 15, distributable reserves were insufficient due to resolutions to reduce share capital passed in 2016 not being filed at Companies House until 2017. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

BDML Connect Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BDML CONNECT LIMITED (continued)

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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

RSM UK Audit LLP

Gary Purdy (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Hanover House
18 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1ED
28 September 2018

BDML Connect Limited
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

		2017	2016
	Notes	£	£
Turnover	1	7,984,575	9,428,686
Cost of sales		(2,451,171)	(3,158,512)
Gross profit		<u>5,533,404</u>	<u>6,270,174</u>
Administrative expenses		(5,283,821)	(7,878,096)
Other operating income		202,179	1,693,880
Operating profit	3	<u>451,762</u>	<u>85,958</u>
Other finance costs	2	(163,628)	(1,156,548)
Interest receivable	2	188	250
Profit/(Loss) on ordinary activities before taxation		<u>288,322</u>	<u>(1,070,340)</u>
Taxation	5	580,792	(220,983)
Profit/(Loss) on ordinary activities after taxation		<u>869,114</u>	<u>(1,291,323)</u>
Profit/(Loss) for the financial year		<u>869,114</u>	<u>(1,291,323)</u>
Other Comprehensive income for the year		-	-
Total Comprehensive income for the year		<u>869,114</u>	<u>(1,291,323)</u>

All of the activities of the company are from continuing operations.

BDML Connect Limited
STATEMENT OF FINANCIAL POSITION
31 December 2017

		2017	2016 As restated
		£	£
Fixed assets	Notes		
Tangible assets	6	<u>96,215</u>	<u>562,167</u>
Current assets			
Debtors due within one year	7	24,384,566	30,454,428
Cash at bank and in hand	8	<u>908,866</u>	<u>2,508,820</u>
		<u>25,293,432</u>	<u>32,963,248</u>
Current liabilities			
Creditors : amounts falling due within one year	9	<u>(23,673,794)</u>	<u>(32,678,676)</u>
Net current assets		1,619,638	284,572
Net assets		<u>1,715,853</u>	<u>846,739</u>
Capital and reserves			
Called up share capital	14,15	1,000,000	1,600,000
Profit and loss account	15	715,853	(753,261)
Total equity		<u>1,715,853</u>	<u>846,739</u>

The financial statements on pages 9 to 21 were approved by the board of directors and authorised for issue on 27 September 2018 and are signed on their behalf by:



M R Brittain
 Director

BDML Connect Limited
STATEMENT OF CHANGES IN EQUITY
31 December 2017

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2016	5,100,000	38,062	5,138,062
	<hr/>	<hr/>	<hr/>
Loss for the year	-	(1,291,323)	(1,291,323)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year.	-	(1,291,323)	(1,291,323)
	<hr/>	<hr/>	<hr/>
Dividends paid		(3,000,000)	(3,000,000)
Share capital redeemed (restated - see note 15)	(3,500,000)	3,500,000	-
	<hr/>	<hr/>	<hr/>
Total transactions with owners recognised directly in equity	(3,500,000)	500,000	(3,000,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2016 as restated (see note 15)	1,600,000	(753,261)	846,739
	<hr/>	<hr/>	<hr/>
Profit for the year	-	869,114	869,114
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	869,114	869,114
	<hr/>	<hr/>	<hr/>
Share capital redeemed (see note 15)	(600,000)	600,000	-
	<hr/>	<hr/>	<hr/>
Total transactions with owners recognised directly in equity	(600,000)	600,000	-
	<hr/>	<hr/>	<hr/>
At 31 December 2017	1,000,000	715,853	1,715,853
	<hr/>	<hr/>	<hr/>

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

GENERAL INFORMATION

The Company operates as an insurance broker in the UK, and has a number of recognised brand names. The Company is a private company limited by shares and is incorporated and domiciled in England & Wales. The registered office address is on page 2.

STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the Companies Act 2006.

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

DISCLOSURE EXEMPTIONS

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Markerstudy Holdings Limited which can be obtained from 246-248 Europort, Gibraltar. For this reason, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102: (a) No cash flow statement has been presented for the company and (b) No disclosure has been given for the aggregate remuneration of key management personnel.

GOING CONCERN

The directors have prepared trading and cash flow projections which indicate that the Company will continue to generate positive cash flows on its own account for a period of at least 12 months from the date of approval of the financial statements.

However, the company participates in the parent group's centralised treasury arrangements and its financing is inter-dependent with that of other members of the parent group. The company had net current liabilities of £56,426 at 31 December 2017, excluding amounts due to other members of the parent group of £9,236,362 and amounts due from other members of the parent group of £10,912,426. On 25 July 2018 the company's debt of £7,281,000 due to a fellow subsidiary was offset against the balance due from Markerstudy Holdings Limited.

Markerstudy Holdings Limited has provided a letter of support confirming that it will continue to provide financial support to the company such that it will continue to be able to meet its obligations as they fall due for at least twelve months from the date of sign off of these financial statements.

The group headed by Markerstudy Holdings Limited has material third party loans which have repayments due on 1 June 2019, 1 August 2019 and 1 June 2020 in excess of the group's expected operating cash flows. The directors of Markerstudy Holdings Limited do not believe this represents a material uncertainty that may cast significant doubt upon the group's ability to continue as a going concern as they believe that there are a number of options available to the group to be able to make these repayments in addition to cash flows generated by operations, including potential asset and or business disposals, additional funds from shareholders or external funding.

After making enquiries, and considering the matters described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence over the twelve months from the date of approval of these financial statements. For these reasons they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

REVENUE RECOGNITION

The turnover arises from continuing operations and comprises commissions and other income arising principally from the sale of insurance policies in the United Kingdom, recognised at inception of the policy and once all obligations to the policyholder have been discharged, net of discounts and rebates.

Income from instalment financing services provided to policyholders is recognised using the effective interest method.

Income from claims handling services is recognised as the income is earned.

TANGIBLE FIXED ASSETS

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, over the useful economic life of the asset as follows:

Computer Equipment	-	3-5 years straight line
Fixtures & Fittings	-	3 years straight line

IMPAIRMENT OF FIXED ASSETS

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of the fair value and value-in-use, are recognised as impairments. Impairments are recognised in profit or loss.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

TAXATION

The taxation expense comprises current and deferred tax.

Current tax is the amount of tax payable in respect of the taxable profit for the year and is recognised in profit and loss except to the extent that it relates to items recognised in Other comprehensive income or directly in equity, when the tax is also recognised in Other comprehensive income or directly in equity.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, and both current and deferred tax are based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets including insurance, trade and other receivables, bank balances and balances due from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the net present value of the estimated cash flows discounted at the asset's original effective interest rate.

Financial assets are derecognised when the contractual right to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the asset are transferred to another party.

Basic financial liabilities, including insurance and trade and other payables, bank loans and overdrafts, and balances due to fellow group companies are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished that is when the contractual liability is discharged, cancelled or expires.

SHORT TERM EMPLOYEE BENEFITS

The company provides a range of benefits to employees, including annual bonus and paid holiday arrangements, and defined contribution pension plans.

Short term benefits including holiday pay and other non-monetary benefits are recognised as an expense in the period in which the service is received.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand and at bank and deposits held at call with banks or with original maturities of three months or less. Bank overdrafts, when applicable, are shown within creditors due within one year.

Bank balances held in insurance broking accounts for the benefit of insurance broking creditors are described as 'fiduciary cash' as the amounts are not available for general corporate purposes.

INSURANCE RECEIVABLES & PAYABLES

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and, as such, are generally not liable as principals for amounts arising from such transactions. Notwithstanding these legal relationships, cash, receivables and payables arising from insurance broking transactions are shown as assets and liabilities in the financial statements of the company, in accordance with industry practice.

The position of the insurance broker as agent means that generally the credit risk is borne by the principals and therefore the total of insurance broking receivables appearing in the balance sheet is not an indication of credit risk.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

PENSION COSTS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account. Differences between contributions payable in the year and actually paid are shown as either prepayments or accruals.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management consider there are none which are critical to the financial statements or which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

The functional statements are presented in sterling which is also the functional currency of the company.

DIVIDENDS

Dividends to the company's shareholders are recognised as a liability in the financial statements in the period in which dividends are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2017	2016
	£	£
United Kingdom	7,984,575	9,428,686

2 INTEREST INCOME AND OTHER EXPENSE

	2016	2016
	£	£
Interest receivable on bank deposits	188	250
Other finance costs – finance charge in respect of instalment funding	(163,628)	(1,156,548)

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2017	2016
	£	£
Depreciation of owned fixed assets	467,403	928,196
Auditor's remuneration - audit of the company 2017	32,500	-
- audit of the company 2016	10,000	32,500
- audit of the company 2015	-	15,000
- taxation compliance fees	3,000	2,880
- audit & related services 2017	7,500	-
Bad debts written off	178,892	(23,559)
Operating lease payments - Plant and machinery	-	738
- Land & buildings	135,000	280,950
Income in respect of instalment funding charges	(202,179)	(1,693,880)

4 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year was:

	2017	2016
	No.	No.
Operations	117	106
Administration	14	28
	131	134

The call centre staff are now multi-skilled across sales and operational areas and the average number of staff has been reported under operations in both years above.

The aggregate payroll costs of the above were:

	2017	2016
	£	£
Wages and salaries	2,555,132	2,758,773
Social security costs	174,455	179,369
Pension costs	64,261	59,818
	2,793,848	2,997,960

The directors are remunerated by the parent group and their costs recharged in 2016 as part of a group management charge. It is not possible to identify the specific cost attributable to the company.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2017

5 TAXATION ON ORDINARY ACTIVITIES

Analysis of charge/(credit) in the year

	2017 £	2016 £
Current tax:		
UK Corporation tax based on the results for the year at 19.25 % (2016 – 20.25%)	46,192	-
Total current tax	46,192	-
Deferred tax:		
Deferred tax credit	(626,984)	199,485
Adjustment to deferred tax in respect of previous period		
Effect of changes in tax rates	-	21,498
	(626,984)	220,983
Tax charge/(credit) for the year	(580,792)	220,983

Factors affecting the current tax for the year

Profit/(loss) on ordinary activities before taxation	288,322	(1,070,340)
Tax on (loss)/profit on ordinary activities at standard rate of UK Corporation tax of 19.25% (2016 – 20.25%)	55,492	(214,068)
Effects of:		
Expenses not deductible for tax purposes	2,832	49
Other tax adjustments, reliefs and transfers	(1)	(48,795)
Fixed assets ineligible for capital allowances	(3)	55,251
Transfer pricing adjustments	49,047	56,217
Adjust closing deferred tax to average rate of 19.25%	104,794	168,229
Adjust opening deferred tax to average rate of 19.25%	(111,597)	(97,018)
Deferred tax not recognised	(678,465)	301,118
Group relief (claimed)	(2,891)	-
	(636,284)	435,051
Current tax credit for the year	(580,792)	220,983

The UK corporation tax rate decreased from 20% to 19% with effect from 1 April 2017, and is expected to reduce to 17% with effect from 1 April 2020.

The company has tax losses of approximately £1.9m (2016: £1.9m) available to carry forward. No deferred tax asset has been recognised in respect of these losses.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2017

6 TANGIBLE FIXED ASSETS

	Computer Equipment	Fixtures & Fittings	Total
Cost	£	£	£
At 1 January 2017	2,863,701	78,372	2,942,073
Additions	1,451	-	1,451
Disposals	(2,157,836)	(57,616)	(2,215,452)
	<u>707,316</u>	<u>20,756</u>	<u>728,072</u>
At 31 December 2017			
Depreciation			
At 1 January 2017	2,323,752	56,154	2,379,906
Charge for the year	447,362	20,041	467,403
Disposals	(2,157,836)	(57,616)	(2,215,452)
	<u>613,278</u>	<u>18,579</u>	<u>631,857</u>
At 31 December 2017			
Net book value			
At 31 December 2017	94,038	2,177	96,215
	<u>539,949</u>	<u>22,218</u>	<u>562,167</u>
At 31 December 2016			

7 DEBTORS

	2017 £	2016 £
Trade debtors	12,269,438	14,437,421
Amounts owed by parent and fellow subsidiary companies	10,912,426	14,912,155
Other debtors	127,706	628
Prepayments and accrued income	282,012	938,224
Deferred tax asset (note 11)	792,984	166,000
	<u>24,384,566</u>	<u>30,454,428</u>

Trade debtors is stated after a provision for impairment of £875,424 (2016:£ 958,594).

8 CASH AT BANK AND IN HAND

	2017 £	2016 £
Cash at bank	514,163	518,764
Fiduciary cash (see below)	394,703	1,990,056
	<u>908,866</u>	<u>2,508,820</u>

The group holds monies in insurance broking accounts for the benefit of insurance broking creditors which are not available for general corporate purposes.

Included in cash at bank is £500,280 (2016: £500,055) subject to restrictions which means the amount is not available for corporate purposes.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2017

9 CREDITORS: Amounts falling due within one year

	2017	2016
	£	£
Bank overdraft	5,215	19,141
Fiduciary cash (overdrawn)	58,050	145,071
Trade creditors	130,566	288,328
Insurance creditors	12,366,298	14,201,009
Amounts owed to parent and fellow subsidiary companies	9,236,362	15,233,427
Other creditors	356,401	1,120,493
Corporation tax	46,192	-
Accruals and deferred income	1,474,710	1,671,207
	<u>23,673,794</u>	<u>32,678,676</u>

10 FINANCIAL INSTRUMENTS

The carrying amount of the company's financial instruments at 31 December were:

	2017	2016
	£	£
Financial Assets:		
Debt instruments measure at amortised cost	23,591,123	29,948,521
	<u>23,591,123</u>	<u>29,948,521</u>
Financial Liabilities:		
Measured at amortised cost	23,606,791	32,471,380
	<u>23,606,791</u>	<u>32,471,380</u>

11 DEFERRED TAXATION

The deferred tax asset is made up as follows:

	2017	2016
	£	£
Asset brought forward	(166,000)	(386,983)
Profit and loss account	(626,984)	220,983
At 31 December 2017	<u>(792,984)</u>	<u>(166,000)</u>

The deferred tax asset is shown under Debtors – note 7

The deferred tax asset in respect of decelerated capital allowances is expected to be recoverable by relief against future taxable profits.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2017

12 RELATED PARTY TRANSACTIONS

During the year rent and service charges amounting to £12,209 (2016:£1,781,052) were paid to related parties where the directors of the company share common control. The balance outstanding at year end was £12,209 (2016: £19,611).

At year end there was a balance outstanding for rates charges with related parties where the directors of the company share common control of £55,910 (2016: £70,910).

The company has taken advantage of the exemptions available under Financial Reporting Standard 102 (section 33) from the requirement to make disclosures concerning transactions with fellow group companies.

13 CONTINGENT LIABILITIES

The company has guaranteed £563,435 (2016: £500,055) to Bank of Valetta plc to secure a facility provided to Bay Holdings Limited, a company which is owned by KR Spencer and KJ Barber.

14 SHARE CAPITAL

	2017	2016 As restated (see note 15)
	£	£
Allotted, called up and fully paid:		
1,000,000 (2016 as restated: 1,600,000) Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,600,000</u>

On 28 February 2017 600,000 Ordinary £1 shares were redeemed at par and transferred to the profit and loss account.

15 PRIOR PERIOD ADJUSTMENT

The amount of share capital redeemed in the prior year has been restated, as £600,000 of the redemption did not in fact take effect until 2017, as the appropriate resolutions were not filed at Companies House until 2017.

The impact of the restatement is as follows:

	2016 £
Share capital redeemed as previously reported	4,100,000
Prior period adjustment	(600,000)
Share capital redeemed as restated	<u>3,500,000</u>

The impact on share capital and reserves is as follows:

	Share capital	Profit and loss account	Total
	£	£	£
As previously presented	1,000,000	(153,261)	846,739
Prior period adjustment	600,000	(600,000)	-
As restated	<u>1,600,000</u>	<u>(753,261)</u>	<u>846,739</u>

The appropriate resolutions to reduce share capital passed in 2016 were not filed until 2017 and consequently, dividends paid during the year ended 31 December 2016 of £1,500,000 were in excess of available distributable reserves at the time they were paid in contravention of Companies Act 2006 requirements. The £600,000 reduction in share capital took effect in 2017 increasing the distributable reserves such that they exceeded the amount of dividends paid. The prior period adjustment had no impact on the Statement of Comprehensive Income for year ended 31 December 2016 or reserves at 1 January 2016.

BDML Connect Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2017

16 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate and ultimate parent undertaking is Markerstudy Holdings Limited, a company registered in Gibraltar. Copies of the parent company's consolidated financial statements may be obtained from 846-848 Europort, Gibraltar. Markerstudy Holdings Limited is controlled by K R Spencer.

The smallest and largest group to include the group in its consolidated financial statements is that headed by Markerstudy Holdings Limited.