Company Registration No. 08948556 (England and Wales)

Statutory

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2019

UHY Hacker Young
Chartered Accountants

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

COMPANY INFORMATION

Directors	S Parfitt C Parfitt W Wade M Baker J Rose I Shaw
Secretary	C Parfitt
Company number	08948556
Registered office	Crown House 1 Crown Square Woking Surrey GU21 6HR
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

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BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2019

The directors present the strategic report for the year ended 30 April 2019.

Fair review of the business

Principle Activities
The Company's principle activity was unchanged during the year in that we continue to offer senior secured development finance to UK homebuilders. Geographically we fund developments throughout the UK although the bulk of the financing activities are supporting developments in and around the major cities in England.

The Group Head Office is based in Surrey and during the year we had local representatives in the west country and the north west. In late 2018 we closed our Glasgow office as the opportunities available to us in that market were insufficient to justify the cost. However, we remain committed to having knowledgeable and experienced business representatives in strong regions around England managed by and supported from the Group Head Office.

Our lending is focused on the mainstream family homes market. At 30th April 2019 we were supporting the construction of over 930 new homes at a total gross value of £314m equating to an average sales value of a new home funded of approximately £335,000. Specifically, we are not exposed to high value or ultra-high value specialist homes.

Credit Risk
Development lending is a bespoke business and the lending activities and loans provided by the Company are reviewed on an individual basis. There are four core stages in the risk review/risk management process although Credit Risk Management runs through the DNA of the business and our credit process is not confined to these stages. Furthermore, it should be noted with all stakeholder management deeply involved in the Credit Risk Management processes on a daily basis.

Core Risk Management Processes:

1. Client & Relationship Management: All clients and every development site are visited by our business development team and clients reviewed for experience, suitability, and financial standing. Credit reports are then scrutinised by the Board.

2. Valuation Review: Our in-house team of surveyors conduct an independent review of the proposed development values on all development loans. Additionally the Company will instruct an independent surveying firm to conduct a valuation under the terms of the RICS "Red Book" regulatory environment, reporting directly to and responsible to, the Company (see also Risk Verification below).

3. Risk Verification: The Credit Operations team conduct a thorough verification process before any funding is released. This comprises:

Formal valuation with the instruction and review of an external valuation report conducted by a firm regulated by the Royal Institute of Chartered Surveyors;

Construction Cost Review, with the appointment of a qualified building specialist (usually a quantity surveying firm) to independently report to the Company confirming the projected construction costs, development timescales and other key building risks.

Know your client and anti-money laundering risk reviews;

Legal title review and security risk management for the property and other loan security.

Other specialist reports or reviews are undertaken on a case by case basis.

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4. Construction Management Review: Following initial site funding all construction costs and ancillary development fees and charges are reviewed and approved by an independent qualified monitoring surveyor, reporting to and responsible to, the Company. Our appointed monitoring surveyor will visit site periodically, usually monthly, to report on progress and the Company's in-house monitoring team (that comprises qualified construction specialists) will review and challenge the external surveyors where appropriate. This is supplemented by an in-house site visit programme conducted by one of our team.

All transactions are reviewed on an individual basis at a monthly loan monitoring meeting and any credits displaying issues that are outside the programmed cost or timing schedule are further reviewed at a Watch List review every two weeks or more frequently as considered appropriate.

Performance & Results

Pre-tax profits for the year to 30th April 2019 have been returned at £2.4m (April 2018: £2.1m), which result provides an 5th year of unbroken profit growth.

New loan origination for the year grew approx. 13% to £94m. Furthermore existing transactions continue to perform profitability and the management are focused on delivering results from the core pool.

Forward looking the economic environment for the second half of 2019 and into early 2020 can only be described as opaque. There have been enough column inches written about brexit and current political uncertainties such that there is little benefit in adding to them here. Suffice to say that whilst the UK housing market is somewhat more muted than has been the case in recent years, transactional turnover and values in standard family housing remain generally stable. This should continue whilst employment remains strong and interest rates/mortgage costs low. There are of course notable regional variations and we monitor these carefully.

Government continues to back home ownership and the Help to Buy scheme available on homes up to £600,000 in value is helping to support first time buyer and family home ownership. Currently at a group level, the average value of a home funded by Business Lending is £335,000 . The Help to Buy scheme is scheduled to change in March 2021, limiting access to the scheme to first time buyers and restricting the home value to a percentage of the local average price rather than a flat £600,000 as current. Help to Buy is further scheduled to be withdrawn completely from March 2023.

Clearly reduction/expiry of this support scheme is likely to have a negative effect on demand and we shall become ever more mindful of this in the coming months as we underwrite new developments with predicted sales at March 2021 or beyond.

However, the management remain confident that the group has a tightly managed loan portfolio and is well placed to maintain consistent risk adjusted returns.

Other Risk Management

Operational Risk
The business has a robust risk management culture and benefits from not only strict risk controls but additionally from a highly trained and experienced risk management team. During 2018/19 the Company is invested in new and improved technology and infrastructure to provide resilience and to protect against cyber-crime and will continue to review and upgrade technology, process and operational systems as deemed appropriate.

Liquidity Risk
Portfolio funding is undertaken through specialist credit facilities provided by two senior debt providers and a junior funder. Regular reporting and risk reviews are undertaken with each credit provider and full visibility on the underlying development loan assets are provided.

The Company has invested in a mix of fixed rate and floating rate funding lines. Our loan assets are predominately floating rate and thus in a rising interest rate environment our income is mostly protected; indeed the spread on the existing loan assets is slightly enhanced where funded on fixed rates.

With greater uncertainty in the property sales market we are committing additional time and management resource to forecasting the Group Portfolio funding requirements. This analysis has a two-fold objective, (i) to ensure we have sufficient credit lines to meet the existing and forecasted portfolio requirements and (ii) to optimise the cost of funding thus improving the bottom line results.

Requirements and potential additional banking and funding relationships are under regular review at a Board level. Further facilities either with existing credit providers or through new funding relationships are considered to be available to the Group if needed however it should be stressed that such additional lines are not at this point signed and committed.

Regulatory Risk
Business to business development finance is predominately an unregulated lending activity. Nevertheless we seek to adopt best practice in lending and the management and team remain committed to doing so and enhancing if and when necessary. We are required to operate within anti-money laundering regulatory requirements and the team is trained to manage these risks. We also receive regular legal and industry briefings to ensure training and practices are kept up-to-date.

The Company is regulated in data management and the introduction of the GDPR provisions in May 2018 required investment in technology, training and processes. This has been undertaken and we shall continue to monitor compliance and manage the evolving obligations under this legislation as the regulatory environment.

Market Risk
The Company's activities are sensitive to the performance of the residential property market in that, although we are not direct holders of real estate assets, our clients and our loan performance is affected by new homes sales. Generally, the market for new homes remains positive although transactional turnover and values are more muted than in recent years. As noted with the Performance Section above, high employment levels and low interest rates/mortgage costs are continuing to support the housing market especially in the first time buyer and standard family homes market. However there are wide regional variations and we maintain a watch brief on the geographical sub-sectors where we have exposure mainly through regular visits and monitoring reports.

Looking further forward the changes in the Help to Buy scheme will likely have a negative impact on the market towards the end of 2020 and into spring 2021. It is difficult to project the precise effect of these changes suffice to say careful monitoring is required and the management are committed to this.

Future Development

The Group Business Plan for 2019/20 and beyond foresees the principle activity of the Company and Group remaining unchanged in that our focus will be providing senior secured development funding. We will make strenuous efforts to support our existing clients as well as, hopefully, welcoming new customers. We are hoping to carefully expand the loan product offering with some limited commercial lending exposure including commercial property development, homes for rent and student accommodation.

Over the past few years the Group has cultivated core funding relationships with two senior debt providers, and we are grateful for their continued to support over the last 12 months. Further we have grown our senior debt capacity by 27% during this period and increased the debt maturity profile. We hope to continue to work with our existing senior debt funders and indeed grow capacity within these relationships in the coming year. Furthermore, going forward the Board is hoping to expand our financing relationship and, in this regard, preliminary negotiations have commenced with a select group of potential parties. We hope to bring these negotiations to a successful fruition in the coming months.

Finally we would again like to thank our customers, the Business Lending team, our funders and other stakeholders for their effort and support throughout the year and we look forward to this continuing into the coming period.

On behalf of the board

....

S Parfitt

Director

18TH NOVEMBER 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2019

The directors present their annual report and financial statements for the year ended 30 April 2019.

Principal activities

The principal activity of the company and group continued to be that of secured development finance to homebuilders.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Parfitt
C Parfitt
W Wade
M Baker
J Rose
I Shaw

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £800,000. The directors do not recommend payment of a further dividend.

Auditor

The auditor, UHY Hacker Young, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

....

S Parfitt
Director

Date: 18TH NOVEMBER 2019

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

Opinion

We have audited the financial statements of Business Lending Development Funding Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 group's and the parent company's affairs as at 30 April 2019 and of the group's profit for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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

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 group's or the parent 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.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 our 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 group and the parent 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 where 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.

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 the 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.

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.

Marc Waterman (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

19/4/2019

Chartered Accountants
Statutory Auditor

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2019

	Notes	2019 £	2018 £
Turnover	3	14,406,112	12,426,379
Cost of sales		(78,017)	(247,365)
Gross profit		14,328,095	12,179,014
Administrative expenses		(3,991,298)	(3,555,584)
Operating profit	4	10,336,797	8,623,430
Interest payable and similar expenses	8	(7,923,260)	(6,562,601)
Profit before taxation		2,413,537	2,060,829
Tax on profit	9	(458,886)	(388,832)
Profit for the financial year		1,954,651	1,671,997

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

GROUP BALANCE SHEET

AS AT 30 APRIL 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	11		100,234		95,713
Current assets					
Debtors falling due after more than one year	15	5,921,289		9,887,542	
Debtors falling due within one year	15	107,858,586		85,702,072	
Cash at bank and in hand		963,270		1,541,962	
		114,743,145		97,131,576	
Creditors: amounts falling due within one year	16	(104,358,022)		(83,829,305)	
Net current assets			10,385,123		13,302,271
Total assets less current liabilities			10,485,357		13,397,984
Creditors: amounts falling due after more than one year	17		(5,192,166)		(9,258,133)
Provisions for liabilities	19		(12,164)		(13,475)
Net assets			5,281,027		4,126,376
Capital and reserves					
Called up share capital	21		1,000		1,000
Profit and loss reserves			5,280,027		4,125,376
Total equity			5,281,027		4,126,376

The financial statements were approved by the board of directors and authorised for issue on ......12/11/19.... and are signed on its behalf by:

....
S Parfitt
Director

....
W Wade
Director

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

COMPANY BALANCE SHEET

AS AT 30 APRIL 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	11		100,234		95,713
Investments	12		3		3
			100,237		95,716
Current assets					
Debtors	15	507,042		812,506	
Cash at bank and in hand		164,454		98,984	
		671,496		911,490	
Creditors: amounts falling due within one year	16	(671,641)		(1,337,487)	
Net current liabilities			(145)		(425,997)
Total assets less current liabilities			100,092		(330,281)
Provisions for liabilities	19		(12,164)		(13,475)
Net assets/(liabilities)			87,928		(343,756)
Capital and reserves					
Called up share capital	21		1,000		1,000
Profit and loss reserves			86,928		(344,756)
Total equity			87,928		(343,756)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,231,684 (2018 - £1,183,636 loss).

The financial statements were approved by the board of directors and authorised for issue on ..18/11/19....... and are signed on its behalf by:

....
S Parfitt
Director

....
W Wade
Director

Company Registration No. 08948556

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 May 2017		1,000	2,453,379	2,454,379
Year ended 30 April 2018:				
Profit and total comprehensive income for the year		-	1,671,997	1,671,997
Balance at 30 April 2018		1,000	4,125,376	4,126,376
Year ended 30 April 2019:				
Profit and total comprehensive income for the year		-	1,954,651	1,954,651
Dividends	10	-	(800,000)	(800,000)
Balance at 30 April 2019		1,000	5,280,027	5,281,027

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2019

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 1 May 2017		1,000	838,880	839,880
Year ended 30 April 2018:				
Loss and total comprehensive income for the year		-	(1,183,636)	(1,183,636)
Balance at 30 April 2018		1,000	(344,756)	(343,756)
Year ended 30 April 2019:				
Profit and total comprehensive income for the year		-	1,231,684	1,231,684
Dividends	10	-	(800,000)	(800,000)
Balance at 30 April 2019		1,000	86,928	87,928

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash absorbed by operations	25		(15,045,581)		(19,810,385)
Interest paid			(7,923,260)		(6,562,601)
Income taxes paid			(358,971)		(449,148)
Net cash outflow from operating activities			(23,327,812)		(26,822,134)
Investing activities					
Purchase of tangible fixed assets		(50,811)		(22,325)	
Net cash used in investing activities			(50,811)		(22,325)
Financing activities					
Proceeds from borrowings		143,720,052		120,903,500	
Repayment of borrowings		(119,120,026)		(94,022,482)	
Dividends paid to equity shareholders		(1,800,000)		-	
Net cash generated from financing activities			22,800,026		26,881,018
Net (decrease)/increase in cash and cash equivalents			(578,597)		36,559
Cash and cash equivalents at beginning of year			1,541,867		1,505,308
Cash and cash equivalents at end of year			963,270		1,541,867
Relating to:					
Cash at bank and in hand			963,270		1,541,962
Bank overdrafts included in creditors payable within one year			-		(95)

BUSINESS LENDING DEVELOPMENT FUNDING LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	26		(283,624)		38,618
Investing activities					
Purchase of tangible fixed assets		(50,811)		(22,325)	
Dividends received		2,200,000		-	
Net cash generated from/(used in) investing activities			2,149,189		(22,325)
Financing activities					
Dividends paid to equity shareholders		(1,800,000)		-	
Net cash used in financing activities			(1,800,000)		-
Net increase in cash and cash equivalents			65,565		16,293
Cash and cash equivalents at beginning of year			98,889		82,596
Cash and cash equivalents at end of year			164,454		98,889
Relating to:					
Cash at bank and in hand			164,454		98,984
Bank overdrafts included in creditors payable within one year			-		(95)

1 Accounting policies

Company information

Business Lending Development Funding Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Crown House, 1 Crown Square, Woking, Surrey, GU21 6HR.

The group consists of Business Lending Development Funding Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1 Accounting policies **(Continued)**

The consolidated financial statements incorporate those of Business Lending Development Funding Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 April 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover represents amounts receivable for services.

The group has three core sources of income and the accounting policies thereon are stated as follows:

a) Arrangement fees which are recognised in the period that they are due;
b) Interest income is contractually due on a monthly basis and as such is accrued in the accounts on this basis; and
c) Redemption fees are chargeable as a percentage of the final sale value of a property, subject to a minimum fee amount. This gives rise to two classes of redemption fee:
i) Contracted fees that is the minimum amounts chargeable under the loan contract; and
ii) Contingent fees amounting to an overage that is contingent on the underlying security properties selling for a given sum.

Contractual fees are spread across the life of the loan, with 80% of the contracted fee accounted for over the life of the facility and 20% reserved until the end of the project to allow for uncertainty. Contingent fees are only recognised at the end of the loan unless at any point they become contracted.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	5 years straight line
Plant and equipment	25% reducing balance
Fixtures and fittings	25% reducing balance
Computers	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies **(Continued)**

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Interest and fees	14,406,112	12,426,379

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	14,406,112	12,426,379

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	46,290	99,297
(Profit)/loss on disposal of tangible fixed assets	-	666
Operating lease charges	67,169	64,305

5 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	9,000	5,000
Audit of the financial statements of the company's subsidiaries	41,520	41,400
	50,520	46,400

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Directors	6	6	6	6
Employees	24	23	24	23
	30	29	30	29

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	1,982,021	1,972,804	1,982,021	1,972,804
Social security costs	243,812	240,850	243,812	240,850
Pension costs	131,770	75,910	131,770	75,910
	2,357,603	2,289,564	2,357,603	2,289,564

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	453,750	460,275

8 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,538,028	1,418,518
Other interest on financial liabilities	5,385,232	5,144,083
	7,923,260	6,562,601

9 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	465,281	414,081
Adjustments in respect of prior periods	(5,084)	1,804
Total current tax	460,197	415,885
Deferred tax		
Origination and reversal of timing differences	(1,311)	(27,053)
Total tax charge	458,886	388,832

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit before taxation	2,413,537	2,060,829
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	458,572	391,558
Tax effect of expenses that are not deductible in determining taxable profit	6,709	5,730
Depreciation on assets not qualifying for tax allowances	-	467
Under/(over) provided in prior years	(5,084)	1,803
Deferred tax adjustments in respect of prior years	(1,311)	(10,726)
Taxation charge	458,886	388,832

10 Dividends

	2019	2018
	£	£
Final paid	800,000	-

11 Tangible fixed assets

Group	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 May 2018	40,355	75,429	51,156	215,529	382,469
Additions	6,000	8,048	-	36,763	50,811
At 30 April 2019	46,355	83,477	51,156	252,292	433,280
Depreciation and impairment					
At 1 May 2018	27,576	36,734	24,411	198,035	286,756
Depreciation charged in the year	9,271	11,008	7,021	18,990	46,290
At 30 April 2019	36,847	47,742	31,432	217,025	333,046
Carrying amount					
At 30 April 2019	9,508	35,735	19,724	35,267	100,234
At 30 April 2018	12,779	38,695	26,745	17,494	95,713

11 Tangible fixed assets (Continued)

Company	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 May 2018	40,355	75,429	51,156	215,529	382,469
Additions	6,000	8,048	-	36,763	50,811
At 30 April 2019	46,355	83,477	51,156	252,292	433,280
Depreciation and impairment					
At 1 May 2018	27,576	36,734	24,411	198,035	286,756
Depreciation charged in the year	9,271	11,008	7,021	18,990	46,290
At 30 April 2019	36,847	47,742	31,432	217,025	333,046
Carrying amount					
At 30 April 2019	9,508	35,735	19,724	35,267	100,234
At 30 April 2018	12,779	38,695	26,745	17,494	95,713

12 Fixed asset investments

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Investments in subsidiaries	13	-	-	3	3

Movements in fixed asset investments

Company	Shares in group undertakings
	£
Cost or valuation	
At 1 May 2018 and 30 April 2019	3
Carrying amount	
At 30 April 2019	3
At 30 April 2018	3

13 Subsidiaries

Details of the company's subsidiaries at 30 April 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
Business Lending Residential Funding 2 Limited	England and Wales	Residential Lending	Ordinary	100.00	
Business Lending Residential Funding 3 Limited	England and Wales	Dormant	Ordinary	100.00	
Business Lending Residential Funding Limited	England and Wales	Residential Lending	Ordinary	100.00	

14 Financial instruments

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	109,299,523	91,815,856	147,326	451,101
Carrying amount of financial liabilities				
Measured at amortised cost	108,948,235	92,597,283	534,969	1,211,387

15 Debtors

	Group		Company	
	2019	2018	2019	2018
Amounts falling due within one year:	£	£	£	£
Trade debtors	99,438,370	80,433,367	145,174	120,478
Amounts owed by group undertakings	-	-	-	324,749
Other debtors	3,939,864	1,494,947	2,152	5,874
Prepayments and accrued income	4,480,352	3,773,758	359,716	361,405
	107,858,586	85,702,072	507,042	812,506
Amounts falling due after more than one year:				
Trade debtors	5,921,289	9,887,542	-	-
Total debtors	113,779,875	95,589,614	507,042	812,506

16 Creditors: amounts falling due within one year

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Bank loans and overdrafts	18	-	95	-	95
Other borrowings	18	102,501,883	73,835,890	-	-
Trade creditors		54,543	79,960	54,543	78,620
Amounts owed to group undertakings		-	-	416,308	105,252
Corporation tax payable		465,281	364,055	-	-
Other taxation and social security		136,672	126,100	136,672	126,100
Dividends payable		-	1,000,000	-	1,000,000
Other creditors		5,936	906	4,062	(2,390)
Accruals and deferred income		1,193,707	8,422,299	60,056	29,810
		104,358,022	83,829,305	671,641	1,337,487

17 Creditors: amounts falling due after more than one year

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Other borrowings	18	5,192,166	9,258,133	-	-

18 Loans and overdrafts

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank overdrafts	-	95	-	95
Other loans	107,694,049	83,094,023	-	-
	107,694,049	83,094,118	-	95
Payable within one year	102,501,883	73,835,985	-	95
Payable after one year	5,192,166	9,258,133	-	-

The long-term loans are secured by fixed and floating charges over the company's assets.

As at 30 April 2019 the group benefitted from a three year credit facility provided by Matura Finance Limited and additionally the group benefitted from a credit facility provided by One Savings Bank Plc and Enhanced Debt Lending Limited for a term of three years. All loans are secured by way of fixed and floating debentures.

19 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities	Liabilities
	2019	2018
Group	£	£
Accelerated capital allowances	12,164	13,475

19 Deferred taxation (Continued)

Company	Liabilities 2019 £	Liabilities 2018 £
Accelerated capital allowances	12,164	13,475

Movements in the year:	Group 2019 £	Company 2019 £
Liability at 1 May 2018	13,475	13,475
Credit to profit or loss	(1,311)	(1,311)
Liability at 30 April 2019	12,164	12,164

20 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to profit or loss in respect of defined contribution schemes	131,770	75,910

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share capital

	Group and company 2019	
	2019	2018
Ordinary share capital	£	£
Issued and fully paid		
1,000 Ordinary of £1 each	1,000	1,000

22 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Within one year	21,250	28,023	21,250	28,023
	21,250	28,023	21,250	28,023

23 Related party transactions

During the years the group received a loan of £23,354,189 (2018: £30,658,027) including loan interest of £219,203 (2018: £7,863,486) from Matura Finance Limited, a company in which Mr I Shaw and Mr M Baker are directors. As at the balance sheet date the amount remained outstanding and was included within other loans and the interest in accruals.

The interest charge for the year on the loan amounted to £3,322,816 (2018: £3,095,991).

24 Controlling party

The ultimate parent company is Heathside Partners LLP, a Limited Liability Partnership registered in England and Wales, which indirectly holds the majority of the issued share capital of the immediate parent company, Business Lending Development Finance Limited, a company registered in England and Wales.

25 Cash generated from group operations

	2019	2018
	£	£
Profit for the year after tax	1,954,651	1,671,997
Adjustments for:		
Taxation charged	458,886	388,832
Finance costs	7,923,260	6,562,601
(Gain)/loss on disposal of tangible fixed assets	-	666
Depreciation and impairment of tangible fixed assets	46,290	99,297
Movements in working capital:		
(Increase) in debtors	(18,190,261)	(31,585,522)
(Decrease)/increase in creditors	(7,238,407)	3,051,744
Cash absorbed by operations	(15,045,581)	(19,810,385)

26 Cash generated from operations - company

	2019	2018
	£	£
Profit/(loss) for the year after tax	1,231,684	(1,183,636)
Adjustments for:		
Taxation credited	(1,311)	(27,053)
Investment income	(2,200,000)	-
(Gain)/loss on disposal of tangible fixed assets	-	666
Depreciation and impairment of tangible fixed assets	46,290	99,297
Movements in working capital:		
Decrease in debtors	305,464	1,134,236
Increase in creditors	334,249	15,108
Cash (absorbed by)/generated from operations	(283,624)	38,618