

Wessex Insurance Funding Limited
Financial Statements
31 December 2018

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Wessex Insurance Funding Limited

Financial Statements

Year ended 31 December 2018

Contents	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report to the members	4
Statement of income and retained earnings	8
Statement of financial position	9
Notes to the financial statements	10

Wessex Insurance Funding Limited

Officers and Professional Advisers

The board of directors

K R Spencer
K J Barber
G Humphreys

Company secretary

C J Payne

Registered office

45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

Auditor

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

Bankers

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

Wessex Insurance Funding Limited

Directors' Report

Year ended 31 December 2018

The directors present their report and the financial statements of the company for the year ended 31 December 2018.

Principal activities and going concern

The principal activity of the company during the year was the administration of a contract for the financing of insurance policies on behalf of other group companies. After the year end, the contract was terminated. As described on page 10, the financial statements have therefore been prepared on a non-going concern basis.

Directors

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

K R Spencer
K J Barber
G Humphreys

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditors in the absence of an Annual General Meeting.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 30 August 2019 and signed on behalf of the board by:



K J Barber
Director

Registered office:
45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

Wessex Insurance Funding Limited

Directors' Responsibilities Statement

Year ended 31 December 2018

The directors are responsible for preparing 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 the profit or loss of the company 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;
- 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.

Wessex Insurance Funding Limited

Independent Auditor's Report to the Members of Wessex Insurance Funding Limited

Year ended 31 December 2018

Opinion

We have audited the financial statements of Wessex Insurance Funding Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Income and Retained Earnings and Statement of Financial Position 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 2018 and of its loss 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 – Non-going concern basis of accounting

We draw attention to the disclosure made in the accounting policies on page 10 within the notes to the financial statements, concerning the company's use of a basis of accounting other than going concern.

As described on page 10, after the year end the contract that the company was administering was terminated. Therefore, in accordance with FRS 102, the financial statements have been prepared on a basis other than that of a going concern.

Our opinion is not modified in respect of this matter.

Wessex Insurance Funding Limited

Independent Auditor's Report to the Members of Wessex Insurance Funding Limited *(continued)*

Year ended 31 December 2018

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.

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

Wessex Insurance Funding Limited

Independent Auditor's Report to the Members of Wessex Insurance Funding Limited *(continued)*

Year ended 31 December 2018

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 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

Wessex Insurance Funding Limited

Independent Auditor's Report to the Members of Wessex Insurance Funding Limited *(continued)*

Year ended 31 December 2018

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

30 August 2019

Wessex Insurance Funding Limited
Statement of Income and Retained Earnings
Year ended 31 December 2018

	Note	2018 £	2017 £
Administrative expenses		<u>103,976</u>	<u>102,279</u>
Operating loss	5	(103,976)	(102,279)
Loss before taxation		(103,976)	(102,279)
Tax on loss	7	<u>—</u>	<u>—</u>
Loss for the financial year and total comprehensive income		(103,976)	(102,279)
Retained losses at the start of the year		(1,260,652)	(1,158,373)
Retained losses at the end of the year		(1,364,628)	(1,260,652)

All the activities of the company are from discontinued operations.

The notes on pages 10 to 15 form part of these financial statements.

Wessex Insurance Funding Limited

Statement of Financial Position

31 December 2018

	Note	2018 £	2017 £
Current assets			
Debtors	8	11,204,482	14,041,550
Cash at bank and in hand		<u>1,047</u>	<u>49</u>
		11,205,529	14,041,599
Creditors: amounts falling due within one year	9	(12,570,156)	(15,302,250)
Net current liabilities		(1,364,627)	(1,260,651)
Total assets less current liabilities		(1,364,627)	(1,260,651)
Net liabilities		(1,364,627)	(1,260,651)
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	(1,364,628)	(1,260,652)
Shareholders deficit		(1,364,627)	(1,260,651)

These financial statements were approved by the board of directors and authorised for issue on 30 August 2019, and are signed on behalf of the board by:



K J Barber
Director

Company registration number: 05127397

The notes on pages 10 to 15 form part of these financial statements.

Wessex Insurance Funding Limited

Notes to the Financial Statements

Year ended 31 December 2018

1. General information

The company is a private company limited by shares, incorporated and registered in England and Wales. The address of the registered office is 45 Westerham Road, Bessels Green, Sevenoaks, Kent, TN13 2QB. The company's principal activities and nature of its operations are disclosed in the Directors' Report.

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'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The company incurred a loss for the year of £103,976 and had net current liabilities of £1,364,627, and net liabilities of £1,364,627 at 31 December 2018.

The company administered a contract on behalf of another member of the group headed by the parent company Markerstudy Holdings Limited. As noted in the directors' report, the contract has been terminated after the year end. Accordingly, the financial statements have been prepared on a non-going concern basis. No material adjustments arose and there were no material future costs committed to at the year end as a result of ceasing to apply the going concern basis.

The company is also subject to the group's centralised treasury arrangements and is dependent on borrowings of £3,575,646 due on demand, from other members of the group headed by the parent company Markerstudy Holdings Limited in order to meet its liabilities as they fall due. 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 a period of at least eighteen months from 25 June 2019.

The group headed by Markerstudy Holdings Limited (the 'Markerstudy Group') is expected to generate positive cash flows for a period of at least 12 months from the date of approval of these financial statements. The Markerstudy Group has amounts due by way of loans owing to Qatar Re of £217.3m, along with interest due on these loans that is forecasted to total c£24.4m. The dates for the repayments to be made to Qatar Re are 50% including the interest due on 1 December 2019 and 50% including the interest due on the loans on 31 March 2020.

These rescheduled repayments are in excess of the Markerstudy Group's expected cash flow.

Therefore, the Markerstudy Group directors are currently seeking, new third party investors or lenders to provide the Markerstudy Group with longer-term preferential debt and equity funding to enable the Markerstudy Group to meet both its 1 December 2019 and 31 March 2020 loan repayment commitments to Qatar Re. The directors of the Markerstudy Group are confident that they will obtain the funding required.

In addition to the raising of these funds and cash flows generated from ongoing operations, the Markerstudy Group directors also have a number of other options available to generate sufficient cash flows in order to meet its debt requirements to Qatar Re, which include potential asset disposals including the sale of a business within the Markerstudy Group or additional funds provided by its shareholders

Wessex Insurance Funding Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Going concern *(continued)*

After making enquiries and considering the uncertainties described above, the directors of the Company have a reasonable expectation that the Company will have adequate resources to meet its debts as they fall due.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the group financial statements of Markerstudy Holdings Limited. Details on how to obtain these financial statements can be found in note 13 of these financial statements. As such, 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.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Judgements and key sources of estimation uncertainty

In the application of the company'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.

The directors do not consider there to be any judgements nor key sources of estimation uncertainty that have a material impact on the financial statements.

Income tax

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Wessex Insurance Funding Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Financial instruments

Financial instruments

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

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments 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 Company after deducting all of its liabilities.

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, 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. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Wessex Insurance Funding Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

4. Particulars of employees

No directors received any remuneration from the company during the year (2017: Nil).

No other staff were employed by the company during either year.

5. Operating loss

Operating loss is stated after charging:

	2018 £	2017 £
Impairment of group debtors	<u>86,778</u>	<u>92,802</u>

6. Auditor's remuneration

	2018 £	2017 £
Fees payable for the audit of the financial statements	<u>7,500</u>	<u>6,500</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	<u>1,500</u>	<u>1,500</u>

7. Tax on loss

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018 £	2017 £
Loss on ordinary activities before taxation	<u>(103,976)</u>	<u>(102,279)</u>
Loss on ordinary activities by rate of tax	<u>(19,755)</u>	<u>(19,685)</u>
Effect of expenses not deductible for tax purposes	16,488	–
Rounding on tax charge	(1)	–
Group relief surrendered	3,268	1,824
Changes to deferred tax rates	–	2,085
Deferred tax not recognised	–	15,776
Tax on loss	<u>–</u>	<u>–</u>

Deferred tax is not recognised in respect of losses of £92,802 (2017: £92,802) as it is not probable that they will be recovered against future taxable profits.

Wessex Insurance Funding Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

8. Debtors

	2018 £	2017 £
Trade debtors	3,513,377	7,976,719
Amounts owed by group undertakings	1,750,187	1,838,466
Other debtors	5,940,918	4,226,365
	<u>11,204,482</u>	<u>14,041,550</u>

Trade debtors comprise amounts due to the company from external customers for the financing of insurance policies arranged by the other group companies. Amounts owed by group undertakings include £1,671,810 (2017: £1,671,810) receivable from the ultimate parent undertaking to settle the loan of £1,671,810 (2017: £1,671,810), as set out in note 9.

9. Creditors: amounts falling due within one year

	2018 £	2017 £
Amounts owed to group undertakings	10,889,346	15,299,346
Accruals and deferred income	9,000	2,904
Other creditors	1,671,810	–
	<u>12,570,156</u>	<u>15,302,250</u>

The company is party to an intercompany guarantee with Markerstudy Holdings Limited and Insurance Factory Limited dated 1 October 2007.

Included within other creditors is an amount of £1,671,810 (2017: £1,671,810) in respect of a formalised loan agreement. The loan passes through the company to a former group member. Interest is calculated daily at a rate of 2% plus Bank of England base rate, which is borne by another group company. This amount is repayable on demand and is secured over the receivables of the company. In addition, Insurance Factory Limited, Markerstudy Direct Limited and MSG Automotive Solutions Limited act as guarantors in respect of this balance.

10. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

11. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Wessex Insurance Funding Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

12. Related party transactions

The company has taken advantage of the exemptions available under Section 33 of FRS 102 from the requirement to make disclosures concerning transactions with fellow group companies.

13. Controlling party

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