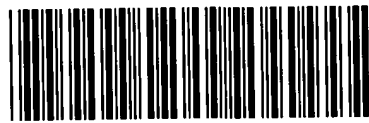


Markerstudy Direct Limited
Financial Statements
31 December 2019

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Markerstudy Direct Limited

Financial Statements

Year ended 31 December 2019

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Markerstudy Direct Limited
Officers and Professional Advisers

The board of directors

G Humphreys
C T Collings
J D Jackson
K J Barber
K R Spencer
M R Brittain

Company secretary

C J Payne

Registered office

45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

Auditor

RSM UK Audit LLP
Chartered Accountants & statutory auditor
Davidson House
Forbury Square
Reading
RG1 3EU

Bankers

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

Markerstudy Direct Limited

Strategic Report

Year ended 31 December 2019

Review of the business and future plans

The company's principal activity is that of a motor insurances services company, operating three products concerned with Private Car and Commercial Vehicles. The primary platform for sales are through third party aggregators and direct websites. Two of the products are managed as "in house" brands (Geoffrey and Zenith Van), the third is an outsourced operation trading as Zenith Car.

The results for the year, as set out on page 10, show a before tax profit of £5.9m (2018: £3.9m). This performance is encouraging, despite very competitive market conditions, where sales and renewals are predominately driven on price. Zenith Car in particular has delivered a strong performance in year improving upon the results of 2018.

From August 2019 it was decided to outsource the in-house products to the same provider as Zenith Car. Work began on this in August 2019 and due to the timing of renewals, the migration process is expected to continue into 2021. It is expected this move will benefit the company by reducing the overall cost base. As the market is constantly changing having a central control point over pricing will also allow the company to become more agile to the ever changing market conditions.

In year the company received advanced commission totalling £30m which is repayable over 10 years and held on the Balance Sheet as a long term liability. This balance has been ring fenced by the company for investment in group companies activities planned for 2020.

Key performance indicators

The company closely monitors its performance against a series of indicators that are set as part of a rigorous budgeting process at a detailed level. The company's own key performance indicators ("KPI's") are turnover, expenses, solvency and cash flow. Expenses are monitored monthly against the budget expense type.

Cash flow is managed daily with for the Insurer accounts.

	2019	2018
	£	£
Turnover	13,152	10,516
Cost of sales	2,046	2,706
Expenses	5,166	3,873
Operating profit	5,940	3,938
Cash held	669,337	255,342
Solvency ratio	1.08	1.21

The significant increases in the KPIs from 2018 to 2019 are primarily a result of 2019 being the first full year of trading as 2018 represented a 9 month period. This generally impacts income and expenses. The exception to this however, is the impact of outsourcing specifically on cost of sales, whereby both the in house products have stopped receiving these costs directly as now incurred by the outsourced partner.

Markerstudy Direct Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of procedures and internal controls which are subject to board approval and ongoing review by management, risk management and internal audit. Compliance with regulation and with legal and ethical standards is a high priority for the group, 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 to manage financial controls exists and that controls operate effectively.

The Markerstudy Holdings group's insurance business's risks include a failure of pricing increases to keep pace with or exceed claims inflation over the longer term. Claims inflation has historically been high, especially in respect of personal injury claims, and failure to apply increases in line with these pressures could undermine the performance of the business. Changes to the distribution models in the UK also remain a risk. The internet remains as the most significant source of new business in 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 group 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 obligations as they fall due.

(a) Credit risk - the risk that a counterpart 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 - the risk that cash may not be available to pay obligations when due at a reasonable cost. The company manages this liquidity risk through a service level agreement with ZIP which includes agreed terms for payment of service commission to the company and support from the Group as detailed on pages 12 to 14 of the financial statements.

Covid-19 pandemic

The ongoing worldwide pandemic of Covid-19 has made a significant impact on short term performance of the group. MDL has lost revenue over the second quarter of 2020 as a consequence of COVID-19, specifically on the outsourced products and has predominantly impacted revenue from fees. Since the lock down has been removed, income has recovered. Management have taken several steps to mitigate the impact of the reductions to income caused by the Covid-19 pandemic. This includes utilising the Government employee retention scheme and time to pay option with HMRC, as well as closely monitoring cash flows and making pay cuts. There remains a great deal of uncertainty as to the longevity of the Covid-19 crisis. However, the directors are committed to supporting MDL. The impact of Covid-19 and parent company support for the Company is also considered in the going concern accounting policy in note 3 on pages 12 to 14.

Markerstudy Direct Limited

Strategic Report *(continued)*

Year ended 31 December 2019

S.172 Companies Act 2006: Statement of director's duties to stakeholders

The board of directors of Markerstudy Direct Limited believe that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and with regard to the other matters as detailed in S.172 (a) - (f).

Long-term consequences of decisions

Management prepare annual forecasts for the 5-year period ahead, which include modelling of the impact of key decisions made within the Markerstudy Holdings Group (MHL) group, such as the impact of the CIS General Insurance Limited (CISGIL) acquisition by MHL, in order to assess their viability. The board aims to grow the company's business, creating sustainable profits by developing new opportunities for the business and our people.

Employee Engagement

The board is committed to its focus on employee's working environment and career development opportunities, which has helped the company achieve its 'Investors in People' accreditation. A number of initiatives developed including the 'Shooting Stars' programme for leaders of the future, and 'ALEX' the apprenticeship syllabus, have all contributed to the company achieving the accreditation. The company have also developed core values, 'V10', which helps maintain the culture and keeps staff attitudes to work aligned. Due to the covid-19 pandemic, the majority of the staff base are now working from home. The board is committed to enhancing the channels of communication during this time, to ensure staff are listened to and are able to continue working effectively.

Key external stakeholder engagement - customers and suppliers

The company has many long-standing and highly successful relationships with customers and suppliers. The company's ethos is to promote fairness and integrity in customer service and commit to 'putting the fun into insurance', for the benefit of our customers, employees and the community. Our customers are at the heart of everything we do, and the board is committed to treating customers fairly. The company is also committed to building strong positive relationships with a wide range of insurers, brokers, managing general agents and other distribution channels.

Impact on the community and the environment

The board considers the company's impact on the wider community and environment. The 'motiv8' initiative supports staff in their community and charity fundraising activities. The board also aims to encourage green initiatives to reduce our carbon footprint, as well as promoting safe driving for the next generation.

This report was approved by the board of directors on 18/12/2020 and signed on behalf of the board by:



M R Brittain
Director

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

Markerstudy Direct Limited

Directors' Report

Year ended 31 December 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Principal activities

The company's principal activity is that of a motor insurance broker.

Directors

The directors who served the company during the year, and up to the date of this report, were as follows:

G Humphreys
C T Collings
J D Jackson
K J Barber
K R Spencer
M R Brittain

Dividends

Particulars of recommended dividends are detailed in note 10 to the financial statements.

Disclosure of information in the strategic report

Matters required by Schedule 7 of the large and medium sized Companies and Groups (Accounts and Report) Regulations 2008 have been included in the separate Strategic Report in accordance with section 414c(11) of the Companies Act 2006.

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.

This report was approved by the board of directors on 18/12/2020 and signed on behalf of the board by:



M R Brittain
Director

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

Markerstudy Direct Limited

Directors' Responsibilities Statement

Year ended 31 December 2019

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under 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 judgments 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.

Independent Auditor's Report to the Members of Markerstudy Direct Limited

Opinion

We have audited the financial statements of Markerstudy Direct Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of income and retained earnings, the 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 2019 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.

Material uncertainty related to going concern

We draw attention to note 3, on pages 12 to 14 of the financial statements concerning the company's ability to continue as a going concern which indicates that the company had net assets of £3.976m and net current assets of £33.973m at 31 December 2019 including £34.093m owed by group companies. Therefore, the company will rely on the ongoing support of the ultimate parent company to continue to trade and meet its liabilities as they fall due. There is a risk that this support may not be maintained. As stated in note 3, on pages 12 to 14, these events or conditions, along with the other matters as set forth in note 3 on pages 12 to 14, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Independent Auditor's Report to the Members of Markerstudy Direct 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 or the directors' report.

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

- adequate accounting records have not been kept, 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, as 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: www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Markerstudy Direct Limited
(continued)

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 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

Perry Linton FCA (Senior Statutory Auditor)

For and on behalf of

RSM UK Audit LLP, Statutory Auditor

~~Chartered Accountants~~

Davidson House

Forbury Square

Reading

RG1 3EU

21.12.20

Markerstudy Direct Limited

Statement of Income and Retained Earnings

Year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	13,152,081	10,516,227
Cost of sales		<u>2,046,327</u>	<u>2,705,717</u>
Gross profit		11,105,754	7,810,510
Administrative expenses		<u>5,166,112</u>	<u>3,872,694</u>
Operating profit	5	5,939,642	3,937,816
Interest receivable	8	—	914
Profit before taxation		<u>5,939,642</u>	<u>3,938,730</u>
Taxation on ordinary activities	9	<u>45,207</u>	<u>748,823</u>
Profit for the financial year and total comprehensive income		<u>5,894,435</u>	<u>3,189,907</u>
Dividends paid and payable	10	(5,250,000)	—
Retained earnings at the start of the year		<u>3,306,772</u>	<u>116,865</u>
Retained earnings at the end of the year		<u>3,951,207</u>	<u>3,306,772</u>

All the activities of the company are from continuing operations.

The notes on pages 12 to 21 form part of these financial statements.

Markerstudy Direct Limited

Statement of Financial Position

31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	11	3,450	13,799
Current assets			
Stocks	12	-	33,138
Debtors	13	43,700,082	17,000,179
Cash-at-bank and in hand		669,337	255,342
		<u>44,369,419</u>	<u>17,288,659</u>
Creditors: amounts falling due within one year	14	<u>10,396,661</u>	<u>13,970,685</u>
Net current assets		<u>33,972,758</u>	<u>3,317,974</u>
Total assets less current liabilities		<u>33,976,208</u>	<u>3,331,773</u>
Creditors: amounts falling due after more than one year	15	<u>30,000,000</u>	<u>-</u>
Net assets		<u>3,976,208</u>	<u>3,331,773</u>
Capital and reserves			
Called up share capital	18	25,001	25,001
Profit and loss account	19	3,951,207	3,306,772
Shareholders funds		<u>3,976,208</u>	<u>3,331,773</u>

These financial statements were approved by the board of directors and authorised for issue on 18/12/2020 and are signed on behalf of the board by:



M R Brittain
Director

Company registration number: 03228539

The notes on pages 12 to 21 form part of these financial statements.

Markerstudy Direct Limited
Notes to the Financial Statements
Year ended 31 December 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 45 Westerhām Road, Bessels Green, Sevenoaks, Kent, TN13 2QB. The company's principal activity and nature of its operations are disclosed in the Director's 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 Republic of Ireland', and the requirements of the Companies Act 2006.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis and in sterling, which is the functional currency of the entity. Monetary amounts in these financial statements are rounded to the nearest £

Going concern

The group of companies headed by Markerstudy Holdings Limited (the 'Markerstudy Group') and Markerstudy Direct Limited (the 'Company') are expected to generate positive cash flows for a period of at least 12 months from the date of approval of these financial statements.

During the current financial year the Markerstudy Group had amounts due by way of loans and interest owing to Qatar Re of £242.2m. On 30 November 2019, it was agreed between the Markerstudy Group and Qatar Re that the remaining loans and interest would be restructured and consolidated in its entirety and a new single loan agreement be entered into between Markerstudy Holdings Ltd ('MHL') the ultimate parent company and Qatar Re, with the loans and interest obligation moving to MHL, with MHL becoming the full obligor for all amounts due by way of loans and interest owing to Qatar Re.

At that time the repayment of the loan was restructured with £50m falling due on 31 December 2019 and the balance by 30 April 2020. Markerstudy Holdings Limited met its loan repayment commitment to Qatar Re on 31 December 2019 in line with the loan agreement and subsequently negotiated with Qatar Re to further extend the repayment date for the balance.

Accordingly Markerstudy Holdings Ltd have amounts due by way of loans owing to Qatar Re of £192.2m, along with interest accrued on these loans of c£7.2m as at the date of approval of these financial statements. The date for the repayment to be made to Qatar Re is 24 December 2020, including both capital and interest accrued.

At 31 December 2019, the company had net assets of £3.976m and net current assets of £33.973m at 31 December 2019 including £34.093m owed by group companies. Therefore, the company will rely on the ongoing support of the ultimate parent company Markerstudy Holdings Limited to continue to trade and meet its liabilities as they fall due.

Markerstudy Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Going concern *(continued)*

Markerstudy Holdings Limited has provided a letter of support confirming that it will 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 18 months from 14 October 2020.

The directors have forecast that the Markerstudy Group and the Company will generate positive cash flows but the loan rescheduled repayments referred to above are in excess of the Markerstudy Group and the Company's expected cash flows.

The Markerstudy Group directors are in the final stages of a process of introducing new third party investors into the Markerstudy Group and to provide the Markerstudy Group with longer-term preferential debt, significant equity funding and board representation to enable the Markerstudy Group to repay group balances due and then subsequently enable the Markerstudy Group to meet its 24 December 2020 loan repayment commitment to Qatar Re. The directors of the Markerstudy Group are confident that they will obtain the funding required.

If the anticipated new third party investor funding is not obtained, the Markerstudy Group directors will enter into renewed discussions with Qatar Re in respect of the amounts due on 24 December 2020 which they are confident will result in a further extension.

The directors have considered the effect of the ongoing worldwide pandemic of Covid-19, which is having an impact on the short term performance of the Company as detailed in the Strategic Report on page 3. Should the economic impacts be longer lasting and result in widespread corporate failure across the economy then the risk to the business and the ability of the Markerstudy Group and the Company to generate positive cash flows will be heightened.

Markerstudy Group Management have taken, and continue to take, several steps to mitigate the impacts being caused by the Covid-19 pandemic. This includes utilising the Government employee retention scheme, VAT payment deferral option and time to pay option with HMRC, agreeing a freeze on some business rates for 12 months, as well as closely monitoring cash flows. Markerstudy Group Management have also reviewed its cost base and IT and system efficiencies to generate additional cost savings including headcount savings through a redundancy programme which completed on 31 July 2020. Markerstudy Group Management also took the step of making pay reductions from April 2020, but strengthening results alongside other cost saving initiatives during the pandemic has seen full pay reinstated at the start of September 2020 (which was earlier than management had originally anticipated).

Markerstudy Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Going concern *(continued)*

Given the unpredictable nature and impact of the outbreak, and how rapidly the responses by the Government to the outbreak are changing, the directors are unable to predict the full extent of the impact with regards to the going concern basis of accounting and its related disclosures.

The directors of Markerstudy Direct Limited have concluded that the above circumstances represent a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company will have adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these financial statements.

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, which are publicly available and are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. Please refer to note 21 for details of how to obtain the group 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) No financial instruments disclosure is included in the individual company financial statements.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Employee benefits

The company recognises short-term employee benefits as an expense to the profit and loss account.

Revenue recognition

The turnover arises from continuing operations and comprises of commissions and other income arising principally from the sale of insurance policies in the United Kingdom, recognised at inception of the policy. No allowance is made for expected cancellations on the basis that these have no overall effect on income at the point of cancellation. Instalment billing interest is deferred at inception of the policy and recognised in the profit and loss account over the period of the loan.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax the company is expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Markerstudy Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Insurance broking assets and liabilities

The Company acts as an agent in broking the insurable risks of its clients and generally is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the Company's legal relationship with clients and underwriters and since in practice premium and claim monies are usually accounted for by insurance intermediaries it has followed generally accepted accounting policies by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the Company itself.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures & fittings	-	5 years straight line
Computer equipment	-	3 years straight line

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

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.

Markerstudy Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Financial instruments *(continued)*

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.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at each reporting end date. 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.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

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.

Markerstudy Direct Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

Judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Fair value of other creditor

The other creditor falling due after more than one year is held at fair value. In determining the fair value estimate the directors have considered the terms of the underlying agreement and how the economic drivers included have changed since entering the agreement.

Current tax liabilities/(assets) are measured at the amount of tax management expects the company to pay/(receive). Assessing whether income is taxable and whether expenses are allowable for tax involves judgement, particularly where the tax position depends on tax case law. Where appropriate management obtains views on tax legislation and case law from tax experts and / or from Legal Counsel in forming their opinion on these areas of judgement. Further detail on the potential effect of these judgements on the company's future tax liabilities is included in note 23.

4. Turnover

Turnover arises from:

	2019 £	2018 £
Commissions	2,452,732	2,744,117
Interest charges	2,633,714	1,853,766
Outsourced services	5,890,344	4,134,223
Other income	2,175,291	1,784,121
	<u>13,152,081</u>	<u>10,516,227</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible assets	10,349	8,611
Impairment of trade debtors	336,911	113,410

6. Auditor's remuneration

	2019 £	2018 £
Fees payable for the audit of the financial statements	<u>24,000</u>	<u>17,500</u>
Fees payable to the company's auditor and its associates for other services:		
Tax compliance services	<u>6,600</u>	<u>1,000</u>

Markerstudy Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

7. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019 No.	2018 No.
Administrative staff	44	67
Management staff	4	1
	<u>48</u>	<u>68</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019 £	2018 £
Wages and salaries	1,243,240	1,358,258
Social security costs	98,959	110,578
Other pension costs	42,540	51,217
	<u>1,384,739</u>	<u>1,520,053</u>

Included within amounts shown above is £5,920 (2018: £4,367) relating to the apprenticeship levy.

No directors received any remuneration during the year (2018: £Nil).

8. Interest receivable

	2019 £	2018 £
Interest on bank deposits	-	914
	<u>-</u>	<u>914</u>

9. Taxation on ordinary activities

Major components of tax expense

	2019 £	2018 £
Current tax:		
UK current tax expense	540,924	750,802
Adjustments in respect of prior periods	(494,651)	-
Total current tax	<u>46,273</u>	<u>750,802</u>
Deferred tax:		
Origination and reversal of timing differences	(1,066)	(1,979)
Taxation on ordinary activities	<u>45,207</u>	<u>748,823</u>

Markerstudy Direct Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

9. Taxation on ordinary activities (continued)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	<u>5,939,642</u>	<u>3,938,730</u>
Profit on ordinary activities by rate of tax	1,128,532	748,359
Effect of expenses not deductible for tax purposes	455	6,661
Changes to deferred tax rates	126	(444)
Adjustments to tax charge in respect of prior periods	(494,651)	-
Group relief claimed	(589,255)	-
Deferred tax not recognised	-	(5,753)
Tax on profit	<u>45,207</u>	<u>748,823</u>

10. Dividends

	2019 £	2018 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>5,250,000</u>	<u>-</u>

11. Tangible assets

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 January 2019	33,727	458,423	492,150
Disposals	(21,903)	(431,530)	(453,433)
At 31 December 2019	<u>11,824</u>	<u>26,893</u>	<u>38,717</u>
Depreciation			
At 1 January 2019	30,370	447,981	478,351
Charge for the year	1,499	8,851	10,350
Disposals	(21,903)	(431,531)	(453,434)
At 31 December 2019	<u>9,966</u>	<u>25,301</u>	<u>35,267</u>
Carrying amount			
At 31 December 2019	<u>1,858</u>	<u>1,592</u>	<u>3,450</u>
At 31 December 2018	<u>3,357</u>	<u>10,442</u>	<u>13,799</u>

Capital commitments

	2019 £	2018 £
Contracted for but not provided for in the financial statements	<u>-</u>	<u>111,765</u>

Markerstudy Direct Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

12. Stocks

	2019	2018
	£	£
Finished goods for sale	-	<u>33,138</u>

13. Debtors

	2019	2018
	£	£
Trade debtors	6,521,115	12,615,986
Amounts owed by group undertakings	34,092,556	3,790,153
Deferred tax asset	3,045	1,979
Prepayments and accrued income	83,366	556,974
Other debtors	3,000,000	35,087
	<u>43,700,082</u>	<u>17,000,179</u>

14. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	8,694,212	10,857,946
Amounts owed to group undertakings	22,027	52,743
Accruals and deferred income	861,145	1,967,264
Corporation tax	797,075	750,802
Social security and other taxes	17,070	28,012
Other creditors	5,132	313,918
	<u>10,396,661</u>	<u>13,970,685</u>

15. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Other creditors	<u>30,000,000</u>	<u>-</u>

Other creditors are repayable over 10 years with repayments starting in 2021. No interest is charged on the liability but a borrowing cost is charged. Both the repayment of the balance and the borrowing cost is payable based on performance against the underlying agreement.

16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019	2018
	£	£
Included in debtors (note 13)	<u>3,045</u>	<u>1,979</u>

17. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £42,540 (2018: £51,217).

Markerstudy Direct Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

18. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>25,001</u>	<u>25,001</u>	<u>25,001</u>	<u>25,001</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.

19. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses, net of equity dividends paid.

20. Related party transactions

Transactions between the Company and its related parties are disclosed below:

Other related parties

	2019	2018
	£	£
Advertising expenses	51,610	-

The following amounts were outstanding at the reporting end date: Amounts owed to related parties

	2019	2018
	£	£
Other related parties	550	-

Other related parties comprise companies in the group headed by Armatire Limited and are related by virtue of common control. K R Spencer is a director and shareholder of Armatire Limited.

The company has taken advantage of the exemptions available under section 33 of Financial Reporting Standard 102 from the requirement to disclosure transactions with group companies where these are fellow 100% owned subsidiaries.

21. Controlling party

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

22. Post balance sheet events

Subsequent to the year end the worldwide pandemic of Covid-19 has had an adverse impact on economies globally. Given the unpredictable nature and impact of the outbreak, and how rapidly the responses to the outbreak are changing, the directors are unable to predict the full extent of the impact. However, the directors have considered the impact of Covid-19 on the ability of the Company to continue in operational existence over a period of at least twelve months from the date of approval of these financial statements, as set out in note 3 on pages 12 to 14.

Markerstudy Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

23. Potential contingent liability

As detailed in the accounting estimates and judgements section of accounting policies the company has measured its corporation tax liability taking into consideration advice and opinions from third parties on whether income is taxable and whether expenses are allowable. If the judgements made by management in preparing the company's corporation tax return were subject to challenge by HM Revenue and Customs through an enquiry, there is uncertainty over the outcome of the enquiry and as a result the company could have significant, material future tax liabilities in addition to the corporation tax creditor recognised in note 14. As the company's tax returns have not been challenged by HM Revenue and Customs at the date of approval of these financial statements, it is impractical to estimate the financial effect of any potential future tax liability.