

BUSINESS LOAN NETWORK LIMITED

Annual Report and Financial Statements
for the year Ended 31 December 2017

THURSDAY



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OFFICERS AND PROFESSIONAL ADVISORS

Directors

Quentin Baer
Peter Brown
Kevin Caley
John Mould
Jill Sandford
Damon Walford

Registered office

2-3 Charter Point Way
Ashby-De-La-Zouch
Leicestershire
LE65 1NF

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2017.

1. Principal Activity

The Company's principal activity is the facilitation of loans to small and medium sized enterprises funded by a range of investors via a proprietary platform. The Directors do not expect this activity to change in the future.

The Company is regulated by the Financial Conduct Authority ('FCA') and was granted full authorisation on 7 August 2017.

The Company is a subsidiary of ESF Capital Limited ('ESF') and operates as part of the ESF Group ('Group').

2. Directors

The Directors of the Company during the year and for the year up to the date of this report unless otherwise stated were:

Quentin Baer
Peter Brown
Kevin Caley
John Mould
Jill Sandford
Damon Walford

3. Financial Reporting

The Company's performance is monitored on a continual basis. The Company prepares an annual budget of income, expenditure and cash flow incorporating operational targets in respect of the volume and value of origination, loans listed and drawdown, and direct lending. The operational key performance indicators are monitored weekly and are incorporated into the monthly management accounts. The results are compared to the monthly and year to date budgets.

4. Going Concern

The Directors have, at the point of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

5. Dividends

No dividends have been declared for the year ended 31 December 2017.

6. Indemnity

Qualifying third party indemnity provisions were made by the parent company, ESF Capital Limited, during the year for the benefit of the Directors, which remain in force at the date of this report.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 Company financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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; and
- 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.

Approved by the Board of Directors and signed on behalf of the Board on 25th April 2018



J Mould
Director

STATEMENT OF COMPREHENSIVE INCOME

Registered Number: 07248014

For the year ended 31 December 2017

	NOTES	YEAR ENDED 31 DECEMBER 2017 £'000	7 MONTHS ENDED 31 DECEMBER 2016 £'000
Turnover	3	1,709	870
Cost of sales		(127)	(277)
Gross profit		1,582	593
Administrative Costs		(3,823)	(1,477)
Operating loss	8	(2,241)	(884)
Interest receivable and similar income		7	-
Loss before taxation		(2,234)	(884)
Taxation	9	36	(26)
Loss for the financial year after taxation		(2,198)	(910)

All amounts relate to continuing activities.

The notes on pages 7 to 16 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

Registered Number: 07248014

As of 31 December 2017

	NOTES	31 DECEMBER 2017 £'000	31 DECEMBER 2016 £'000
Fixed assets			
Tangible Assets	10	71	154
		71	154
Current assets			
Debtors due within one year	12	2,473	3,410
Debtors due after more than one year	12	46	46
Cash at bank and in hand		367	338
		2,886	3,794
Current liabilities			
Creditors: amounts falling due within one year	13	(396)	(305)
Net current assets		2,490	3,489
Total assets less current liabilities		2,561	3,643
Provisions for liabilities	14	(1,242)	(126)
Net assets		1,319	3,517
Capital and reserves			
Called up share capital	15	1	1
Preference Shares	15	7,000	7,000
Share Premium	16	120	120
Profit and loss account	16	(5,802)	(3,604)
		1,319	3,517

These financial statements have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime.

For the financial year ended 31 December 2017, the company was entitled to exemption from audit under Companies Act 2006, s477 relating to small companies and the members have not required the company to obtain an audit of its accounts for the year in question in accordance with s476. The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements on pages 7 to 16 were approved by the Board of Directors and authorised for issue on 25th April 2018 and are signed on its behalf by:



J Mould
Director

STATEMENT OF CHANGES IN EQUITY

Registered Number: 07248014

For the year ended 31 December 2017

	NOTES	ORDINARY SHARE CAPITAL £'000	PREFERENCE SHARES £'000	SHARE PREMIUM £'000	PROFIT AND LOSS ACCOUNT £'000	TOTAL EQUITY £'000
Balance at 31 May 2016		1	3,000	120	(2,694)	427
Preference shares issued		-	4,000	-	-	4,000
Loss for the period		-	-	-	(910)	(910)
Balance at 31 December 2016		1	7,000	120	(3,604)	3,517
Balance at 1 January 2017	15	1	7,000	120	(3,604)	3,517
Loss for the year		-	-	-	(2,198)	(2,198)
Balance at 31 December 2017		1	7,000	120	(5,802)	1,319

The notes on pages 7 to 16 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

Registered Number: 07248014

For the year ended 31 December 2017

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

General information

Business Loan Network Limited ("the Company") is a private company limited by shares incorporated in England (Registered Number: 07248014). The registered office address of the Company is detailed on page 1.

The Company's and the Group's principal activities are disclosed in the Directors' report.

Basis of Accounting

The financial statements have been prepared for the year ended 31 December 2017.

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"), the requirements of the Companies Act 2006 as applicable to companies' subject to the small companies' regime, and under the historical cost convention. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

Going Concern

The Company made a total comprehensive loss of £2,198k during the year ended 31 December 2017, which has been fully funded by paid up share capital.

The Directors have, at the point of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Consolidation

The Company is a subsidiary of ESF Capital Limited ("ESF"). The results of the Company are included in the consolidated financial statements of ESF.

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the Company. Monetary amounts are rounded to the nearest whole £'000 unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover comprises upfront and on-going platform fees earned for providing lending arrangements, net of Value Added Tax. Upfront fees are recognised when the loan is drawn down by the borrowers. In the case of secondary market sale, upfront fees are recognised when the loan has been accepted by the purchaser. On-going platform fees are recognised on an accruals basis throughout the life of the loan.

Turnover is measured at the fair value of the fees received or receivable for the provision of services in the ordinary course of business.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. No costs have been capitalised as an intangible fixed asset.

The holiday year for the Company ends at the reporting date and employees are not generally entitled to carry forward unused holiday but may in specific circumstances carry forward a maximum of 5 days. If material, the cost of any unused entitlement is recognised in the year in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement Benefits

The Company offers all employees entry to a defined contribution pension plan. The amount charged to profit and loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Taxation

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 year 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 years from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

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 provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset, to its estimated residual value on a straight-line basis over its expected useful life, as follows:

Computer hardware	3 years
Furniture and equipment	2 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Leases

The annual rentals for operating leases are charged to profit and loss on a straight-line basis over the term of the lease.

Rent free periods or other incentives received for entering in to an operating lease are accounted for as a reduction to the expense and are recognised on a straight-line basis over the lease term.

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit and loss.

Impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss, or for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount, less any residual value, over its remaining useful life.

Fixed asset investments

Interests in associates have been initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in associates are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when there is an obligation at the reporting date, as a result of a past event, which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability, the unwinding of the discount is recognised within interest payable and similar charges.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision 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 asset simultaneously.

Financial Assets – Trade and other debtors

Trade and other debtors, including accrued income, which are receivable within one year and which do not constitute a financing transaction are initially measured at fair value 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 - Trade and other creditors

Trade and other creditors, including accruals, payable within one year that do not constitute a financing transaction are initially measured at fair value 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 expired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Critical accounting estimates and assumption

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Sources of estimation

In categorising leases as finance leases or operating leases, management make judgements as to where significant risks and reward of ownership have transferred to the Company as lessee.

Included in income is an estimate of platform fee earned but not receivable at 31 December 2017. In reaching this estimate the Directors have estimated the fee in accordance with the loan agreement and monitoring of the borrower.

Provision

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

3. TURNOVER

Turnover of the Company for the year has been derived entirely from its principal activity undertaken in the United Kingdom.

4. EMPLOYEE INFORMATION

	YEAR ENDED 31 DECEMBER 2017	7 MONTHS ENDED 31 DECEMBER 2016
Average monthly number of persons (including Directors) employed	25	21

Staff costs in respect of these Directors and employees were:

	YEAR ENDED 31 DECEMBER 2017 £'000	7 MONTHS ENDED 31 DECEMBER 2016 £'000
Wages and salaries	1,189	607
Social security costs	131	62
Defined contribution pension	97	55
	1,417	724



NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

5. DIRECTORS' REMUNERATION

The aggregate Directors' remuneration for the year to 31 December 2017 was £474k (12 months to 31 December 2016: £15k), including pension contributions of £15k (31 December 2016: £11k). Part of the Directors' remuneration was paid by ESF.

6. SHARE BASED PAYMENTS

During the year, Directors and employees of the Company were granted share options of ESF, as part of the Group Employee Share Option Plan ('Group plan'). Under the Group plan, share options are granted at a price determined by the ESF Board and agreed with HMRC at the grant date. Directors and employees are entitled to exercise the share options over a five-year vesting year. Options may be forfeited if the Directors and employees leave the Company before they become entitled to exercise the share options.

7. RETIREMENT BENEFITS

The Company offers an individual approved defined contribution pension plan for all qualifying employees. The contributions payable by the Company charged to profit and loss in the year to 31 December 2017 amounted to £97k (31 December 2016: £55k). Contributions totaling £7k (31 December 2016: £2k) were payable at the year end and are included in creditors.

8. LOSS BEFORE TAX

	YEAR ENDED 31 DECEMBER 2017 £'000	7 MONTHS ENDED 31 DECEMBER 2016 £'000
Loss before taxation is stated after charging:		
Depreciation of tangible fixed assets	88	23

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows

	YEAR ENDED 31 DECEMBER 2017 £'000	7 MONTHS ENDED 31 DECEMBER 2016 £'000
Audit services	-	13
Other services		
Other assurance services	-	10
Other non-audit services	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

9. TAXATION

a. Analysis of tax charge for the year

	YEAR ENDED 31 DECEMBER 2017 £'000	7 MONTHS ENDED 31 DECEMBER 2016 £'000
Current Tax		
UK corporation tax	-	-
Deferred Tax		
Origination and reversal of timing differences	(36)	26
Tax (credit) / charge on loss on ordinary activities	(36)	26

b. Factors affecting the tax charge for the year

The tax assessed on losses on ordinary activities differs from the standard rate of corporation tax in the UK of 19.25%. The differences are reconciled below:

	YEAR ENDED 31 DECEMBER 2017 £'000	7 MONTHS ENDED 31 DECEMBER 2016 £'000
Loss before taxation	(2,234)	(884)
Tax on loss on ordinary activities at standard corporation tax rate of 19.25% (2016: 20%)	(430)	(177)
Effect of:		
Expenses not deductible for tax purposes	(2)	23
Unrecognised deferred tax assets in respect of tax losses	394	157
Effect change in tax rate	1	23
Tax (credit) / charge for the year	(36)	26

c. Deferred tax

	YEAR ENDED 31 DECEMBER 2017 £'000	7 MONTHS ENDED 31 DECEMBER 2016 £'000
Deferred tax assets / (liabilities)		
Fixed asset timing differences	9	(26)
	9	(26)

The standard corporation tax rate for the year ended 31 December 2017 was 19.25%. Reductions to the UK corporation tax rate were substantively enacted on 26 October 2015 in Finance (No.2) Bill 2015 reducing the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. On 6 September 2016, a further reduction to 17% from 1 April 2020 was substantively enacted.

The Company has losses of £845k that are available for offset against future taxable profits. The Company has not recognised the deferred tax asset of £394k in respect of these losses due to uncertainty of timing on future profitability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

10. TANGIBLE FIXED ASSETS

	COMPUTER £'000	FURNITURE & EQUIPMENT £'000	PLANT AND MACHINERY £'000	TOTAL £'000
Cost				
Balance at 1 January 2017	35	115	27	177
Additions	5	-	-	5
Disposals	(1)	-	-	(1)
At 31 December 2017	39	115	27	181
Depreciation and impairment				
Balance at 1 January 2017	3	16	4	23
Charge for the year	13	59	15	88
Disposals	(1)	-	-	(1)
At 31 December 2017	16	75	19	110
Net book value at 31 December 2017	23	40	8	71
Net book value at 31 December 2016	32	99	23	154

11. INVESTMENTS

NAME OF UNDERTAKING	REGISTERED OFFICE	% OF ORDINARY SHARES HELD	NATURE OF BUSINESS
ThinCats Australia Group Holdings Pty Limited	Presidio Partners Pty Limited, Level2, 222 Pitt Street, Sydney, NSW2000, Australia	25.48%	Peer to Peer lending

In previous years shares were issued to the Company by ThinCats Australia Group Holdings Pty Limited ('ThinCats Australia') in exchange for use of the Company's platform, with no monetary value ascribed for the shares. The Company has not received any dividends or other income from the ThinCats Australia.

The Directors consider the investment at 31 December 2017 to have no monetary value (31 December 2016: £nil).

12. DEBTORS

	31 DECEMBER 2017 £'000	31 DECEMBER 2016 £'000
Amounts falling due within one year:		
Trade debtors	8	5
Prepayments and accrued income	162	101
Amounts due from parent company	2,230	3,276
Deferred tax asset	9	-
Other debtors	64	28
	2,473	3,410
Amounts falling due after more than one year:		
Deposits on office premises	46	46

NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

13. CREDITORS

	31 December 2017 £'000	31 December 2016 £'000
Amounts falling due within one year:		
Trade creditors	136	196
Other taxation and social security	43	44
Other creditors	24	3
Accruals and deferred income	193	62
	396	305

14. PROVISION FOR LIABILITIES

	31 DECEMBER 2017 £'000	31 DECEMBER 2016 £'000
Loan provision	1,242	100
Deferred Tax	-	26
	1,242	126

15. SHARE CAPITAL

	ORDINARY SHARES	
	NUMBER	£'000
Allotted, issued and fully paid:		
At 31 December 2016 and 31 December 2017	1,000	1

The Company's ordinary shares carry the right to one vote per share but no right to fixed income.

	CONVERTIBLE PREFERENCE SHARES	
	NUMBER	£'000
Allotted, issued and fully paid:		
At 31 December 2016 and 2017	7,000,000	7,000

The preference shares may be converted into ordinary shares at the option of the holder at the earlier of the fifth anniversary of their issue or on sale of the Company. The preference shares carry no voting or fixed income right.

16. SHARE PREMIUM AND PROFIT AND LOSS ACCOUNT

Consideration received for shares issued above their nominal value net of transaction costs was nil at 31 December 2017 (31 December 2016: £120,000).

Profit and loss account for the Company comprises of losses for the year.



NOTES TO THE FINANCIAL STATEMENTS (continued)

Registered Number: 07248014

For the year ended 31 December 2017

17. FINANCIAL COMMITMENTS, GUARANTEES AND CONTINGENCIES.

The Company has not entered into any guarantees. It does not have any contingencies for which it has not provided at 31 December 2017 (31 December 2016: £nil).

18. COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases for office premises are:

	31 DECEMBER 2017 £'000	31 DECEMBER 2016 £'000
Amounts due:		
Within one year	77	77
Between one and five years	278	355

19. RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with members of ESF Capital Limited under section 33 of FRS 102, as it is a subsidiary of ESF Capital Limited.

During the year, the Company made £22k (31 December 2016: £nil) of transactions with other companies related to Directors of the Company.

20. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Directors consider the ultimate parent undertaking to be ESF Capital Limited, (Registered number 09707863). The registered address and principal place of business of ESF Capital Limited is Newlands House, 40 Berners Street, London, W1T 3NA.