

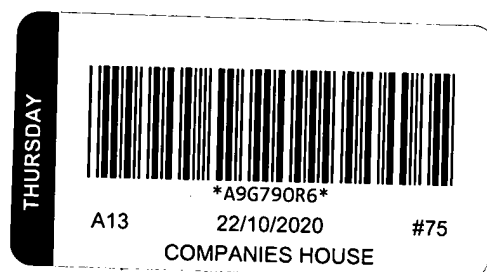
Registered number: 07407558

Silkroad Technology UK Limited

Financial statements

Information for filing with the registrar

For the Year Ended 31 December 2019



Silkroad Technology UK Limited
Registered number: 07407558

Balance Sheet
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible fixed assets	4	<u>4,514</u>	<u>3,912</u>
		4,514	3,912
Current assets			
Debtors: amounts falling due after more than one year	5	13,230	12,000
Debtors: amounts falling due within one year	5	179,946	279,604
Cash at bank and in hand	6	<u>23,152</u>	<u>160,801</u>
		216,328	452,405
Creditors: amounts falling due within one year	7	<u>(2,344,778)</u>	<u>(2,707,520)</u>
Net current liabilities		(2,128,450)	(2,255,115)
Total assets less current liabilities		(2,123,936)	(2,251,203)
Net liabilities		(2,123,936)	(2,251,203)
Capital and reserves			
Called up share capital		1	1
Profit and loss account		<u>(2,123,937)</u>	<u>(2,251,204)</u>
		(2,123,936)	(2,251,203)

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the profit and loss account in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

M J Lloyd
Director

Date:

1/10/20

The notes on pages 2 to 8 form part of these financial statements.

Silkroad Technology UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office and principal place of business is:

Third Floor
24 Chiswell Street
London
United Kingdom
EC1Y 4YX

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on the going concern basis on the assumption of the continued financial support of the company's parent company SilkRoad, Inc. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. If this assumption proves to be inappropriate, then adjustments may have to be made to adjust the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify fixed assets as current assets.

Due to the rapid development of the COVID-19 pandemic and the uncertainty of the magnitude, length and outcome, the impact on the Company's business and operations is unknown; however, the impact could be material. Cost saving and cash flow responses have been effected by the company including the termination of an office premises lease and deferral of payroll taxes.

The company is dependent upon the continued support of its parent company and whilst there is no present indication that this will be withdrawn there can be no certainty in these matters. The latest available accounts for the group as at 31 December 2019, issued in May 2020, show that the group made a loss of \$1,378,000, negative operating cash flows of \$809,000 and an overall negative cash flow of \$1,271,000, the group had net current liabilities of \$27,019,000 and net liabilities of \$21,784,000.

However, in May 2018 the parent company entered into a loan and security agreement with Ally Bank which provided a \$17.5 million loan facility (the "Ally Credit Facility"). The parent drew \$15 million from the Ally Credit Facility and used those proceeds to repay all amounts outstanding under its then existing credit facilities. Amounts outstanding under the Ally Credit Facility were due May 23, 2020. In May 2020, the parent extended the Ally Credit Facility prior to its maturity date for an additional five months with a revised maturity date of October 20, 2020. The Ally Credit Facility is subject to certain financial covenants and the parent was in compliance with all covenants during 2019. In addition, as a result of the COVID-19 pandemic in Spring 2020, the US federal government passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES" Act). As part of the CARES Act, small businesses (defined as less than 500 employees) are eligible to apply for a Payroll Protection Program loan ("PPP" loan). This is a program intended to aid small businesses with eight weeks of cash flow assistance through 100% federally guaranteed loans. The parent applied for a PPP loan in April 2020 and was granted \$3.7 million in funding.

Silkroad Technology UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.2 Going concern (continued)

On May 11, 2020, the parent obtained an unconditional letter of support from one of its investors stating that it will provide financial support to the parent sufficient for it to satisfy its obligations and debt service requirements as they come due, and will satisfy, on a timely basis, all liabilities and obligations of the parent that the parent is unable to satisfy when due through to May 31, 2021.

The presence of these disclosures in the group accounts and the net liability position could cast doubt upon the parent company's ability to continue to support the company.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Silkroad Technology UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Computer equipment	- 3 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Silkroad Technology UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

3. Employees

The average monthly number of employees, including directors, during the year was 8 (2018 - 7).

Silkroad Technology UK Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

4. Tangible fixed assets

	Computer equipment £
Cost or valuation	
At 1 January 2019	15,381
Additions	3,327
At 31 December 2019	18,708
Depreciation	
At 1 January 2019	11,469
Charge for the year on owned assets	2,725
At 31 December 2019	14,194
Net book value	
At 31 December 2019	4,514
At 31 December 2018	3,912

Silkroad Technology UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

5. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	13,230	12,000
	<u>13,230</u>	<u>12,000</u>
	2019 £	2018 £
Due within one year		
Trade debtors	164,772	268,520
Amounts owed by group undertakings	4,286	4,286
Other debtors	668	498
Prepayments and accrued income	10,220	6,300
	<u>179,946</u>	<u>279,604</u>

6. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	23,152	160,801
	<u>23,152</u>	<u>160,801</u>

7. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	2,874	2,543
Amounts owed to group undertakings	2,113,322	2,353,823
Other taxation and social security	34,930	45,666
Accruals and deferred income	193,652	305,488
	<u>2,344,778</u>	<u>2,707,520</u>

Silkroad Technology UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

8. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Operating leases	26,460	104,580
	<u>26,460</u>	<u>104,580</u>

9. Related party transactions

The company has taken advantage of the exemption in FRS 102 paragraph 33.1A from disclosing transactions with other members of the group.

10. Post balance sheet events

In March 2020 the company was impacted by the global COVID-19 pandemic, as disclosed in the going concern note 2.2. Due to the rapid development of the COVID-19 pandemic and the uncertainty of the magnitude, length and outcome, the impact on the Company's business and operations is unknown; however, the impact could be material.

To further address the impact of COVID-19 on the Company's operating cash flow, responses have been effected by the company including the termination of an office premises lease and deferral of payroll taxes.

11. Controlling party

The ultimate parent is Silkroad, Inc, incorporated in the United States of America.

The financial statements of Silkroad, Inc are available upon request from the company's registered office: 100 S Wacker Drive, Suite 425, Chicago, IL 60606, USA.

12. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2019 was unqualified.

In their report, the auditors emphasised the following matter without qualifying their report:
We draw attention to note 2.2 in the financial statements, which indicates that the Company's ability to continue as a going concern is dependent upon the support of its parent company, as well as the magnitude, length and outcome of the COVID-19 pandemic. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, 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.

The audit report was signed on 16 October 2020 by Simon Webber BA (Hons), DChA, FCA (Senior Statutory Auditor) on behalf of Kreston Reeves LLP.