Financial Statements

Upstream Working Capital Limited

For the year ended 31 May 2019

COMPANIES HOUSE
BELFAST
21 FEB 2020
RECEPTION DESK

Registered number: NI607293

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Grant Thornton

Independent auditors' report to the members of Upstream Working Capital Limited

Opinion

We have audited the financial statements of Upstream Working Capital Limited, which comprise the Statement of comprehensive income, the Balance sheet for the financial year ended 31 May 2019, and the related 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, Upstream Working Capital Limited's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the Company as at 31 May 2019 and of its financial performance for the year then ended; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs') and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor 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 United Kingdom, namely FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor. We have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

Other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon, including the Directors' report . The directors are responsible for the other information. Our opinion on the financial statements does not cover the 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

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Independent auditors' report to the members of Upstream Working Capital Limited (continued)

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 in the financial statements, 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.

Matters on which we are required to report by exception

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' exemptions from the requirement to prepare a strategic report or in preparing the Directors' report.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 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, management is 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 management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Independent auditors' report to the members of Upstream Working Capital Limited (continued)

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 Auditors' 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.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The auditor shall communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

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Independent auditors' report to the members of Upstream Working Capital Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

Neal Taylor

Neal Taylor (Senior statutory auditor)

for and on behalf of
Grant Thornton (NI) LLP

Chartered Accountants
Statutory Auditors

Belfast
Date: 19 February 2020

Upstream Working Capital Limited

Registered number:NI607293

Balance sheet

As at 31 May 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	6		**77,420**		90,033
			77,420		90,033
Current assets					
Debtors: amounts falling due within one year	7	**15,921,166**		19,118,424	
Cash at bank and in hand	8	**555,705**		21,723	
		16,476,871		19,140,147	
Creditors: amounts falling due within one year	9	**(10,809,695)**		(19,355,787)	
Net current assets/(liabilities)			**5,667,176**		(215,640)
Total assets less current liabilities			**5,744,596**		(125,607)
Creditors: amounts falling due after more than one year	10		**(6,417,370)**		(1,055,000)
Net liabilities			**(672,774)**		(1,180,607)
Capital and reserves					
Called up share capital	13		**63,493**		63,493
Share premium account	14		**71,507**		71,507
Profit and loss account	14		**(807,774)**		(1,315,607)
			(672,774)		(1,180,607)

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 statement of comprehensive income 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 on 19 February 2020

J. A. Totten

Judith Totten

Director

The notes on pages 6 to 22 form part of these financial statements.

Notes to the financial statements
For the year ended 31 May 2019

1. General information

Upstream Working Capital Limited is a limited company incorporated in Northern Ireland. The registered office is Suite B, Ground Floor, 40 Linenhall Street, Belfast, BT2 8BA.

2. Bad Debt

In the normal course of business certain customers of the Company have defaulted on their agreed facilities and the Company has taken legal action to enforce its rights and to recover the amounts due to it in full. Given the nature of the legal proceedings involved these cases will take some time to be resolved and it is uncertain at this time what the outcome of each of the cases will be. The directors have considered the legal advice they have received, reports received from other professionals involved with these cases and their knowledge of the affairs of the entities involved. On this basis the Directors have provided for the debts sufficiently within the financial statements at the year end date.

3. Accounting policies

3.1 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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 4).

The following principal accounting policies have been applied:

3.2 Going concern

At 31 May 2019 the company is in a net liabilities position of £672,774. Following a restructure in the current year, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future, due to the support of its new ultimate shareholder. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements
For the year ended 31 May 2019

3. Accounting policies (continued)

3.3 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 comprehensive income 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 comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

3.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Rendering of services

Turnover 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 turnover 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.

Notes to the financial statements
For the year ended 31 May 2019

3. Accounting policies (continued)

3.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard Thursday 1 June 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

3.6 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

3.7 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.8 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

Notes to the financial statements
For the year ended 31 May 2019

3. Accounting policies (continued)

3.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.10 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

3.11 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Notes to the financial statements
For the year ended 31 May 2019

3. Accounting policies (continued)

3.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Fixtures and fittings	-	15% reducing balance

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 comprehensive income.

3.12 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.

3.13 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.

3.14 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.

3.15 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 comprehensive income.

Notes to the financial statements

For the year ended 31 May 2019

3. Accounting policies (continued)

3.15 Financial instruments (continued)

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 required management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed and revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management have assessed that there are no estimates or judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities recognised in the financial statements.

5. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
	No.	No.
Directors	**2**	3
Other Staff	**6**	8
	8	11

Notes to the financial statements

For the year ended 31 May 2019

6. Tangible fixed assets

	Fixtures and fittings £
Cost or valuation	
At 1 June 2018	**129,568**
At 31 May 2019	**129,568**
Depreciation	
At 1 June 2018	**39,535**
Charge for the year on owned assets	**12,613**
At 31 May 2019	**52,148**
Net book value	
At 31 May 2019	**77,420**
At 31 May 2018	90,033

7. Debtors

	2019 £	2018 £
Trade debtors	**15,683,154**	18,797,384
Other debtors	**222,817**	301,831
Prepayments and accrued income	**15,195**	15,853
Amounts due from members	-	3,356
	15,921,166	19,118,424

Trade debtors represents the debts assigned under factoring agreements, net of the impairment for bad debts. The full value of the assigned debt is recognised on the balance sheet as it represents rights or other access to future economic benefits. The corresponding client creditor represents the difference between the assigned debt and cash advanced to clients net of appropriate factoring fees.

Notes to the financial statements

For the year ended 31 May 2019

8. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	**555,703**	21,722
	555,703	21,722

9. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Loan factoring facility	**-**	7,555,862
Investor loans	**196,000**	180,000
Client accounts	**10,264,270**	11,476,599
Warranty option	**-**	19,000
Amounts owed to group undertakings	**100,093**	-
Other taxation and social security	**13,275**	22,904
Other creditors	**149,973**	10,219
Accruals and deferred income	**86,084**	91,203
	10,809,695	19,355,787

Notes to the financial statements

For the year ended 31 May 2019

10. Creditors: Amounts falling due after more than one year

	2019	2018
	£	£
Loan factoring facility	5,777,370	-
Other loans	-	255,000
Redeemable preference shares	640,000	800,000
	6,417,370	1,055,000

The cumulative preference dividend on the preference shares amounts to a fixed rate of 6% of the issue price per preference share. The preference shares do not entitle the holders to receive notice of, to attend, to speak at or to vote at any general meeting of the Company. The preference shares may be redeemed in full at any time on or after the 19 June 2020 by either the shareholder or the company. On the redemption date, the Company shall pay:

-The issue price on each of the preference shares being redeemed;

-An additional dividend of 3% of the issue price per preference share; and

-Any arrears or accruals of the preferred dividend due and unpaid on any preference shares, calculated down to and including the redemption date.

Following a process of restructuring in the current financial year, 20% of the value of each redeemable preference share was extinguished at 21 May 2019. The value of each redeemable preference share at the balance sheet date was £0.80 (2018: £1.00). This waiver resuled in a credit to the Statement of Comprehensive Income of £160,000.

11. Loans

Analysis of the maturity of loans is given below:

	2019	2018
	£	£
Amounts falling due within one year		
Loan factoring facility	-	7,555,862
Investor loans	196,000	180,000
	196,000	7,735,862
Amounts falling due 1-2 years		
Loan factoring facility	5,777,370	-
Investor loans	-	255,000
	5,777,370	255,000
	5,973,370	7,990,862

Notes to the financial statements

For the year ended 31 May 2019

12. Financial instruments

	2019 £	2018 £
Financial assets		
Trade debtors	**15,683,154**	18,797,384
Trade finance	**-**	3,356
Other debtors	**222,817**	301,831
Cash at bank and in hand	**555,703**	21,722
Financial assets at amortised cost	**16,461,674**	19,124,293
Financial liabilities		
Loan factoring facility	**5,777,370**	7,555,862
Warranty cost	**-**	19,000
Client accounts	**10,264,270**	11,476,599
Investor loans	**196,000**	435,000
Other taxes and social security	**13,275**	22,904
Accruals and deferred income	**86,084**	91,203
Other creditors	**149,973**	10,219
Amounts owed to group undertakings	**100,093**	-
Financial liabilities at amortised cost	**16,587,065**	19,610,787

Notes to the financial statements

For the year ended 31 May 2019

12. Financial instruments (continued)

The Company's activities expose it to a variety of financial risks; credit risks, liquidity risk and market risk (principally interest rate risk).

Exposure to credit risk

Credit risk is the risk of financial loss to the Company if a company counterparty fails to meet its contractual obligiation and principally arises from the Company's receivables from customers through providing credit finance. This is managed through verification procedures in advance of credit being awarded and credit control procedures. Regular contact is made with customers when debts are overdue with follow up procedures carried out as required. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

The outstanding balance to be collected from Trade Debtors represents a portion against which the Company have advanced finance and a portion to be collected on behalf of clients which is represented by the balance shown as Clients Accounts. In the event that individual amounts within Trade Debtors exceed 90 days or are not collected there is no credit risk to the Company other than where the Client Account balance exceeds Trade Debtors for an individual customer. Therefore the appropriate carrying amount to represent the maximum exposure to credit risk is net of the Trade Debtor and Client Account balance. No aged analysis of Trade Debtors is presented as the Company's credit risk relates solely to debts less than 90 days.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	£	£
Trade debtors less client account	5,418,884	7,320,785
Trade finance	-	3,356
Other debtors	222,817	301,831
Amounts due from parent company	-	-
	5,641,701	7,625,972

All financial assets which are subject to credit risk are held at amortised cost at the year end. The Company's most significant customer is a construction company which accounts for £1,499k of the trade and other receivables carrying amount as at 31 May 2019 (2018: £1,787k). No customers had receivable balances in excess of 10% of the Company's gross trade debtor balance at the year end.

Notes to the financial statements

For the year ended 31 May 2019

	2019	2018
	£	£
Trade debtors less client account	**5,418,884**	7,320,785
Impairment loss charged	**1,021,524**	1,019,578
	6,440,408	8,340,363

The movement in the specific allowance for impairment in respect of trade receivables during the year was as follows:

	2019	2018
	£	£
Balance at 1 June	**1,019,578**	66,624
Impairment loss charged	**1,946**	1,056,440
Amounts written off	**-**	(103,486)
	1,021,524	1,019,578

When a client goes into default the facility provider continues to fund the balance for six months as this is considered a reasonable period for the client's outstanding debtors to be collected to extinguish any remaining client balance. The Company is responsible for funding any outstanding balance beyond this point from its own cash resources and at this point the Company recognises the outstanding balance as being impaired. There were no balances overdue at Balance Sheet date. The allowance for impairment relates to specific debtors which are in receivership or collect out.

Trade finance and other debtors amounted to £nil (2018: £3,356) and £222,817 (2018: £301,831) respectively at 31 May 2019. Personal guarantees are held as security against these debtors. The directors consider these amounts to be recoverable in full. Full provision has been made against any other debtors not recoverable.

The Company held cash of £555,703 (2018: £21,722) at 31 May 2019 which represents their maximum exposure on the assets. The cash is held with Danske Bank which is rated A1 based on credit agency ratings.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The company is able to meet its' liabilities as they fall due after the restructuring process that occurred during the year. In addition, the company has a revolving credit facility in place with Petra Capital PLC and investor loans, both identified in notes 12 and 15 of the financial statements.

The following are contractual maturities of financial liabilities.

Notes to the financial statements

For the year ended 31 May 2019

	Carrying amount	Contractual cash flows	0 - 12 months	1 - 2 years	More Than 5 years
	£	£	£	£	£
2019					
Loan factoring facility	5,777,370	5,777,370	-	5,777,370	-
Warranty cost	-	-	-	-	-
Client accounts	10,264,270	10,264,270	10,264,270	-	-
Investor loans	196,000	196,000	196,000	-	-
Other taxes and social security costs	13,275	13,275	13,275	-	-
Accruals and deferred income	86,084	86,084	86,084	-	-
Other creditors	149,973	149,973	149,973	-	-
Redeemable preference shares	640,000	640,000	-	640,000	-
Accrued interest	-	-	-	-	-
	17,126,972	17,126,972	10,709,602	6,417,370	-

Notes to the financial statements

For the year ended 31 May 2019

	Carrying amount	Contractual cash flows	0 - 12 months	1 - 2 years	2 - 5 years	More Than 5 years
	£	£	£	£	£	£
2018						
Loan factoring facility	7,555,862	7,555,862	7,555,862	-	-	-
Warranty cost	19,000	19,000	19,000	-	-	-
Client accounts	11,476,599	11,476,599	11,476,599	-	-	-
Investor loans	435,000	435,000	180,000	255,000	-	-
Corporation tax	-	-	-	-	-	-
Other taxes and social security costs	22,904	22,904	22,904	-	-	-
Accruals and deferred income	91,203	91,203	91,203	-	-	-
Other creditors	10,219	10,219	10,219	-	-	-
Redeemable preference shares	800,000	800,000	-	-	800,000	-
Accrued interest	-	-	-	-	-	-
	20,410,787	20,410,787	19,355,787	255,000	800,000	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company currently does not use derivative financial instruments to hedge its exposure to currency or interest rate risk. The interest on the loan from Petra is at a variable rate, with the terms being at prevailing market interest rates. Loans from investors are at fixed interest rates.

Currency risks

The Company provides invoice discounting services denominated in sterling, dollar and euro. The Company manages its exposure to currency risk by financing these transactions using the matching currency.

Interest rate risks

At the reporting date the interest profile of the Company's interest bearing financial instruments was:

	2019	2018
	£	£
Variable rate instruments		
Loan factoring facility	**5,777,370**	7,555,862
Trade debtors less client account	**5,418,884**	7,320,785

Notes to the financial statements

For the year ended 31 May 2019

	2019	2018
	£	£
Fixed rate instruments		
Investor loans	**196,000**	435,000
Trade finance	**-**	3,356
Other debtors	**222,817**	301,831

Trade debtors and the Petra loan factoring facility are variable rate instruments. A 1% increase in interest rate would increase interest income (included within turnover) by £197,820. A 1% increase in the base rate would increase interest expense by £75,559.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, investor loan holders and creditor confidence and to sustain future development of the business (capital is defined as share capital, investor loans and retained earnings).

The Company is not subject to external requirements in respect of its capital, with the exception of the need to maintain a ratio of investor loans to loan factoring facility borrowings of 1:10 respectively.

Notes to the financial statements

For the year ended 31 May 2019

13. Share capital

	2019	2018
	£	£
Shares classified as equity		
Authorised, allotted, called up and fully paid		
63,493 (2018 - 63,493) Ordinary shares of £1.00 each	**63,493**	63,493

During the year the company restructured and the ordinary share holding of 63,493 was transferred to Lamasom Limited at a value of £1 per share on the 21 May 2019.

At this date, 20% of the value of each redeemable preference share was extinguished as part of the restructuring process. The value of each redeemable preference share at the balance sheet date was £0.80 (2018: £1.00). This waiver resuled in a credit to the Statement of Comprehensive Income of £160,000.

	2019	2018
	£	£
Shares classified as debt		
Authorised, allotted, called up and fully paid		
800,000 (2018 - 1,000,000) Preference Shares shares of £0.80 each	**640,000**	800,000

14. Reserves

Share premium account

This includes all current and prior period share premium.

Profit and loss account

This includes all current and prior period retained profits and losses.

15. Commitments under operating leases

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

	2019	2018
	£	£
Not later than 1 year	**47,644**	47,644
Later than 1 year and not later than 5 years	**190,576**	190,576
Later than 5 years	**77,422**	125,066
	315,642	363,286

Notes to the financial statements

For the year ended 31 May 2019

16. Related party transactions

Total compensation of key management personnel (including directors) in the year amounted to £174,337 (2018: £162,587).

Colin Dundas was paid consultancy fees of £14,700 (2018: £35,000). There were no amounts outstanding to Mr Dundas at the year end (2018: £nil).

The company has availed of the exemption in s33 FRS102 from disclosing transactions with other wholly owned group companies.

17. Controlling party

At the year end, 100% of the company's share capital was held by Lamasom Limited.