

KAIZEN CREDIT 4 LIMITED

NON-STATUTORY FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2018

After the year end the company listed loan notes on The International Stock Exchange (TISE). As a condition of this listing, the company is obliged to prepare audited financial statements which comply with International Financial Reporting Standards (IFRS) as adopted by the European Union. The company has already filed a set of unaudited micro-entity financial statements at Companies House which constitute the company's statutory financial statements. These non-statutory financial statements have been prepared to satisfy the condition of the recent listing.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
COMPANY INFORMATION

Directors	W P Hamlen R K Howard	(Appointed 18 January 2019) (Appointed 24 October 2017)
Company number	11029255	
Registered office	Unit 75 The Link 49 Effra Road, London SW2 1BZ United Kingdom	
Auditor	HW Fisher Acre House 11-15 William Road London NW1 3ER United Kingdom	
Business address	Unit 75 The Link 49 Effra Road, London SW2 1BZ United Kingdom	

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
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KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors present the non-statutory financial statements for the period ended 31 December 2018.

Principal activities

The principal activity of the company is that of the provision of property development and bridging loans. The company was incorporated on 24 October 2017 and commenced trading on the same date.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

W P Hamlen

(Appointed 18 January 2019)

R K Howard

(Appointed 24 October 2017)

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

R K Howard

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R K Howard

Director

Date: 14/02/2020
.....

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors are required to prepare these non-statutory financial statements as a condition of the listing of loan notes on The International Stock Exchange (TISE).

The directors are required to prepare the non-statutory financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors must not approve the non-statutory 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 period. In preparing these non-statutory financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS's as adopted by the European Union have been followed for the company non-statutory financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the non-statutory financial statements on the going concern basis unless it is appropriate to presume that the company could not 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 applicable laws and regulations. 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.

KAIZEN CREDIT 4 LIMITED

NON-STATUTORY FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF KAIZEN CREDIT 4 LIMITED

Opinion

We have audited the non-statutory financial statements of Kaizen Credit 4 Limited (the 'company') for the period ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

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 1.2 in the non-statutory financial statements which indicates that the going concern of the company is reliant on the timely repayment of loan principal and interest amounts from the company's customers in order for it to meet its own obligations. This event or condition, along with other matters as set forth in note 1.2 indicate that a material uncertainty exists that may cast significant doubt about the company's ability to carry on as a going concern. Our opinion is not modified in this respect.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory 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 non-statutory 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the non-statutory 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 non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory 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.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE DIRECTORS OF KAIZEN CREDIT 4 LIMITED

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters

We did not report on the statutory accounts of the company for the period ended 31 December 2018, which were filed with the UK Registrar of Companies on 25 October 2019 as unaudited.

Use of our report

This report is made solely to the company's directors, as a body. Our audit work has been undertaken so that we might state to the company's directors 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.



HW Fisher

Chartered Accountants

Statutory Auditor

Acre House

11-15 William Road

London

NW1 3ER

United Kingdom

.....17/02/2020

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Notes	Period ended 31 December 2018 £
Revenue	4	240,559
Direct costs	5	(49,206)
Interest payable on loan notes	6	(143,410)
Gross profit		47,943
Administrative expenses	7	(21,480)
Profit before tax		26,463
Income tax expense	9	(5,028)
Profit and total comprehensive income for the period	18	21,435

The income statement has been prepared on the basis that all operations are continuing operations.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 £
Non-current assets		
Trade and other receivables	10	1,096,439
Current assets		
Trade and other receivables	10	836,411
Cash and cash equivalents		30,013
		866,424
Total assets		1,962,863
Current liabilities		
Trade and other payables	12	206,517
Net current assets		659,907
Non-current liabilities		
Borrowings	13	1,722,575
Deferred tax liabilities		5,028
Deferred revenue		7,208
		1,734,811
Total liabilities		1,941,328
Net assets		21,535
Equity		
Called up share capital	16	100
Retained earnings	18	21,435
Total equity		21,535

The non-statutory financial statements were approved by the board of directors and authorised for issue on 14/02/20 and are signed on its behalf by:

R K Howard

.....

R K Howard
Director

Company Registration No. 11029255

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2018

		Share capital	Retained earnings	Total
	Notes	£	£	£
Balances at 24 October 2017		-	-	-
Period ended 31 December 2018:				
Profit and total comprehensive income for the period		-	21,435	21,435
Issue of share capital	16	100	-	100
Balances at 31 December 2018		100	21,435	21,535

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Notes	2018 £	£
Cash flows from operating activities			
Cash absorbed by operations	22		(1,817,218)
Interest paid			(59,306)
Net cash outflow from operating activities			(1,876,524)
Financing activities			
Proceeds from issue of shares	16	100	
Borrowings	13	1,800,000	
Cash advanced by parent undertakings		106,437	
Net cash generated from/(used in) financing activities			1,906,537
Net increase in cash and cash equivalents			30,013
Cash and cash equivalents at beginning of period			-
Cash and cash equivalents at end of period			30,013

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Kaizen Credit 4 Limited is a private company limited by shares incorporated and domiciled in England and Wales. The registered office is Unit 75 The Link, 49 Effra Road, London, SW2 1BZ, United Kingdom.

1.1 Accounting convention

The non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The non-statutory financial statements presented are for the period from incorporation on 24 October 2017 to 31 December 2018.

The non-statutory financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these non-statutory financial statements are rounded to the nearest £.

These non-statutory financial statements have been prepared in addition to the statutory accounts delivered to the UK Registrar of Companies on 25 October 2019. The statutory accounts were not subject to an audit and were prepared under the provisions of FRS 105.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have prepared forecasts which show that the company will have sufficient cash in order to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. However these forecasts are based on the assumption that the company's customers are able to repay their loan principal and interest amounts, and to do so on a timely basis in order for the company to fulfil its own obligations to its lenders and suppliers. Such ability is dependent upon the successful sale or re-financing of its customers' property development projects and the extent of any borrowings repayable to the first lender. As the company is in its infancy and does not have many customers, there is also a risk that the default of just one customer may present a significant going concern impact on the company.

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Segment reporting

The directors consider that the company has only one reporting segment. Accordingly, no segmented analysis is considered necessary.

1.4 Revenue

Revenue consists of a single revenue stream and represents interest and arrangement fees receivable on loans made by the company in respect of its principal activity, as a principal.

Revenue is measured based on the consideration specified in a contract with a customer and is recognised when the company determines that collection is probable. Interest is recognised in profit and loss as per the terms of the relevant loan agreements over the length of the arrangement and at the specified interest rates. Loan arrangement fees are recognised in profit and loss over the term of the loans. Other charges are recognised as they arise.

There is no judgement made in evaluating when a customer obtains control of the services.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified at initial recognition into specified categories depending on their nature and purpose, and are subsequently measured at:

- i) Amortised cost;
- ii) Fair value through profit or loss; or
- iii) Fair value through other comprehensive income

Financial assets are initially measured at transaction price plus costs, other than those classified at fair value, which are measured at fair value.

Loans and receivables

The company's trade and other receivables are held at amortised cost. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company measures a financial asset that this a debt instrument at amortised cost only if both of the following conditions are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal, interest and fees.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount at initial recognition.

Impairment of financial assets

The expected credit loss model has not been applied to the other receivables balance (which comprises amounts owed to the parent company) as the directors have no expectation of impairment of this balance.

The IFRS 9 impairment model requires impairment allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly (Stage 1), IFRS 9 requires allowances based on 12 month expected losses. If the credit risk has increased significantly (Stage 2) and if the loan is 'credit-impaired' (Stage 3), the standard requires allowances based on lifetime expected losses.

The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security.

No impairment losses have been recognised during this period.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.6 Financial liabilities

Financial liabilities are classified at initial recognition, and are subsequently measured at:

- i) Amortised cost; or
- ii) Fair value through profit or loss

The company's financial liabilities include trade and other payables and interest bearing loans and borrowings, measured at amortised cost.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, which include trade and other payables and interest-bearing loans and borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis and included within finance costs in the income statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and the expense recognised in regard to the provision for deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year as calculated from the statutory accounts filed with Companies House. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is the difference between the tax expected to be payable based on the results recognised in these non-statutory financial statements and the tax provided for as current tax expense as calculated on the results of the statutory financial statements as filed at Companies House. This value is payable on transition to IFRS for the 2019 statutory financial statements.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 16 (effective from 1 January 2019)	Leases: Specifies how an IFRS reporter will recognise, measure, present and disclose leases.
IFRS 9 (effective from 1 January 2019)	Financial instruments: Amendments to IFRS 9 regarding prepayment features with negative compensation and modifications of financial liabilities.
IAS 8 (effective from 1 January 2020)	Accounting policies, estimates and errors: Amendments to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' regarding the definition of 'material'.
IAS 12 (effective from 1 January 2019)	Income taxes: Amendments to IAS 12, 'Income Taxes' resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends).
IFRIC 23 (effective from 1 January 2019)	Income taxes: Uncertainty over Income Tax Treatments.

The company does not expect to early adopt the above standards. The directors have not yet completed their evaluation of the effect of the above standards.

3 Judgments and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Critical judgements

The following judgement has had the most significant effect on amounts recognised in the financial statements.

Recoverability of trade receivables

The company's principal activity is that of the provision of property development and bridging loans. The directors consider the recoverability of each loan individually, taking into consideration individual circumstances and historical experience when assessing the probability of non-payment and any expected losses. Whilst assessment of the recoverability of loans is an integral part of the business activities, unforeseeable external factors could lead to loans being rendered irrecoverable and as such an element of judgement is applied in the valuation of trade receivables. No provisions for losses have been recognised in the financial statements.

Key sources of estimation uncertainty

The directors do not consider there to be any key sources of estimation uncertainty in the financial statements.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

4 Revenue from contracts with customers

2018
£

Disaggregation of revenue from contracts with customers

Fees and interest

240,559

Revenues are derived in the United Kingdom.

5 Direct costs by nature

2018
£

Intermediation fees

22,804

Other direct costs

11,353

Legal fees on loans provided to customers

15,049

49,206

6 Interest expense on loan notes

2018
£

Interest expense on loan notes

143,410

7 Administrative expenses by nature

2018
£

Fees payable to the company's auditor for the audit of the company's financial statements

12,600

Insurance fees

6,267

Other expenses

2,613

21,480

8 Employees

There were no employees of the company during the year.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

9 Income tax expense

2018

£

Deferred tax

Deferred tax provided in respect of non-statutory financial statements

5,028

The charge for the period can be reconciled to the profit per the income statement as follows:

2018

£

Profit before taxation

26,463

Expected tax charge based on a corporation tax rate of 19.00%

5,028

Tax charged in the financial statements

5,028

10 Trade and other receivables

Current

Non-current

2018

2018

£

£

Loan receivables

818,484

1,091,961

Other receivables

15,088

Prepayments

2,839

4,478

836,411

1,096,439

The directors consider that the carrying amount of loan receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

11 Credit risk

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk.

The company holds collateral over trade receivables, subject to credit risk, in the form of, for example, mortgages and legal charges over assets such as land and buildings. The directors consider that the value of the collateral held by the company is greater than the maximum credit risk exposure.

Financial assets that are neither past due nor impaired are considered to be of high quality with low risk of non-payment.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

12 Trade and other payables

	2018
	£
Amount owed to parent undertaking	106,437
Accruals	99,953
Other payables	127
	<u>206,517</u>

The directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

13 Borrowings

	2018
	£
Secured borrowings at amortised cost	
Other loans	1,722,575
	<u>1,722,575</u>

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2018
	£
Non-current liabilities	1,722,575
	<u>1,722,575</u>

Borrowings of £1,800,000 are recognised net of intermediation costs. Loan notes are secured on the assets of the company and accrue interest at 10% per annum payable twice yearly.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

14 Liquidity risk

The following table details the remaining contractual maturity for the company's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the company may be required to pay.

	Due in less than 1 year £	Due between 2 & 5 years £	Total £
At 31 December 2018			
Secured loan notes at amortised cost	-	1,722,575	1,722,575
Trade and other payables	206,517	-	206,517
	<u>206,517</u>	<u>1,722,575</u>	<u>1,929,092</u>

Liquidity risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as and when they fall due, primarily arising if the company is unable to collect the debt owed by its customers on a timely basis.

Responsibility for liquidity risk management rests with the directors who have established an appropriate liquidity risk management framework for the management of the company's funding and liquidity requirements. The company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

15 Market risk

Interest rate risk

The company's interest rate risk arises from borrowings. The company's borrowings are set at fixed rates over the term of the borrowing.

Foreign exchange risk

The company is not exposed to foreign exchange risk on the basis that all assets and liabilities are denominated in Sterling.

Property market

The company's loans to customers are secured with underlying assets, usually in the form of a second charge over real estate. The effectiveness of this form of security is therefore reliant upon property valuations which may be affected by, among other things, uncertainty in the UK property market and the extent of the first lenders' charge. The directors have considered this and do not believe there to be any material effect on the carrying amount of the company's financial assets under any realistic scenarios.

The directors continue to monitor this risk by reviewing the property market and entering in to loans only when the risk is deemed appropriate for the expected return.

16 Share capital

2018

£

Ordinary share capital

Issued and fully paid

10,000 Ordinary shares of 1p each

100

During the period, 10,000 ordinary shares of £0.01 each were issued at par.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

17 Capital risk management

The company is not subject to any externally imposed capital requirements. The company manages its capital in such a way that it is in a position to provide loans when the opportunity arises but that it is also making a return above the company's cost of capital.

18 Retained earnings

	2018
	£
At the beginning of the period	-
Profit for the period	21,435
At the end of the period	<u>21,435</u>

19 Events after the reporting date

In January 2019, the company converted £1,800,000 of its borrowings to secured loan notes issued on The International Stock Exchange (TISE), and maturing on 31 January 2022.

This event had no financial effect on the finances of the company.

20 Related party transactions

Included in other payables at 31 December 2018 is an amount of £7,119 owed to Kaizen Credit Limited, the immediate parent company.

Also included in other payables at 31 December 2018 is an amount of £99,319 owed to Bayonet Ventures LLP, the ultimate parent entity.

No compensation was given to key management personnel in the year ended 31 December 2018.

These balances have arisen as a result of amounts being paid by these entities on behalf of Kaizen Credit 4 Limited. These balances are unsecured, non-interest bearing and are repayable on demand.

21 Controlling party

The immediate parent of the company is Kaizen Credit Limited, a company incorporated and domiciled in England and Wales. The ultimate parent company is Bayonet Ventures LLP, a limited liability partnership also incorporated and domiciled in England and Wales.

The registered office of the immediate and ultimate parent companies is is Unit 75 Eurolink Business Centre, 49 Effra Road, London, SW2 1BZ.

KAIZEN CREDIT 4 LIMITED
NON-STATUTORY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

22 Cash absorbed by operations

	2018
	£
Profit for the period after tax	21,435
Adjustments for:	
Taxation charged	5,028
Interest payable on loan notes	143,410
Movements in working capital:	
Increase in trade and other receivables	(1,932,850)
Increase in loan note intermediation fee prepayment	(86,649)
Increase in trade and other payables	25,200
Increase in deferred revenue outstanding	7,208
Cash absorbed by operations	(1,817,218)