

Financial Statements Clarity Credit Management Solutions Limited

For the year ended 31 March 2016



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COMPANIES HOUSE

Registered number: 05307808

Company Information

Directors	S Butterworth G Stran V Fandozzi
Registered number	05307808
Registered office	Unit 2 Swan Court LAMPORF Northamptonshire NN6 9EZ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW
Bankers	Lloyds TSB Bank plc 39 Threadneedle Street LONDON EC2R 8AU
Solicitors	Eversheds LLP Callaghan Square CARDIFF CF10 5BD

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Directors' report

For the year ended 31 March 2016

The directors present their report and the audited financial statements for the year ended 31 March 2016.

Directors

The directors who served during the year were:

S Butterworth
G Stran
V Fandozzi

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the company during the year was the provision of credit management services.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Clarity Credit Management Solutions Limited

Directors' report

For the year ended 31 March 2016

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

This report was approved by the board and signed on its behalf.



G Stran
Director

Date: 8/2/2017

Independent auditor's report to the members of Clarity Credit Management Solutions Limited

We have audited the financial statements of Clarity Credit Management Solutions Limited for the year ended 31 March 2016, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and reconciliation of net cash flow to movement in net debt and the related notes. The financial reporting framework that has been applied in their preparation is applicable law the Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent auditor's report to the members of Clarity Credit Management Solutions Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a strategic report.

A handwritten signature in black ink, appearing to read "Giles Mullins" followed by a stylized flourish.

Giles Mullins (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Milton Keynes
Date: 10/2/17

Profit and loss account

For the year ended 31 March 2016

	Note	2016 £	2015 £
Turnover		573,039	1,645,432
Administrative expenses		(549,045)	(2,347,448)
Exceptional administrative expenses		(1,680,573)	-
Total administrative expenses		(2,229,618)	(2,347,448)
Other operating income	2	125,978	1,661,000
Operating (loss)/profit	3	(1,530,601)	958,984
Income from fixed asset investments			
Interest receivable		1	-
(Loss)/profit on ordinary activities before interest		(1,530,600)	958,984
Interest receivable and similar income	5	45,076	11,941
Interest payable and similar charges		(1,173)	(790)
(Loss)/profit on ordinary activities before taxation		(1,486,697)	970,135
Tax on (loss)/profit on ordinary activities	6	(9,015)	-
(Loss)/profit for the financial year	19	(1,495,712)	970,135

There have been no other recognised gains or losses other than those recorded in the Profit and loss account.

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

Balance sheet

As at 31 March 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	8		27,606		29,226
Investments	9		399,733		1,550,526
			<u>427,339</u>		<u>1,579,752</u>
Current assets					
Debtors	10	78,738		198,758	
Investments	11	-		118,050	
Cash at bank		136,079		105,222	
		<u>214,817</u>		<u>422,030</u>	
Creditors: amounts falling due within one year	12	(234,619)		(467,533)	
Net current liabilities			<u>(19,802)</u>		<u>(45,503)</u>
Total assets less current liabilities			<u>407,537</u>		<u>1,534,249</u>
Creditors: amounts falling due after more than one year	13		<u>(1,362,000)</u>		<u>(993,000)</u>
Net (liabilities)/assets			<u><u>(954,463)</u></u>		<u><u>541,249</u></u>
Capital and reserves					
Called up share capital	18		6,250,119		6,250,119
Share premium account	19		860,499		860,499
Profit and loss account	19		<u>(8,065,081)</u>		<u>(6,569,369)</u>
Shareholders' (deficit)/funds	20		<u><u>(954,463)</u></u>		<u><u>541,249</u></u>

The financial statements have been prepared in accordance with the special provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

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


G. S. Khan
Director

Date:

8/2/2017

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

Notes to the financial statements

For the year ended 31 March 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

1.2 Going concern

The board have had detailed and on going discussions on the future of the company and have prepared detailed forecasts to ensure that it can meet its day to day working capital requirements with the support of the ultimate parent company, Seven Mile Capital Partners LLC.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

1.3 Income recognition

Income is recognised upon the invoicing to the client of fees associated with the collection of debt.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	20% - 33% per annum
Office equipment	-	20% - 33% per annum
Computer Hardware & Software	-	20% - 33% per annum

1.5 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Notes to the financial statements

For the year ended 31 March 2016

1. Accounting policies (continued)

1.7 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

1.8 Investments

Investments are included at cost less amounts written off.

Notes to the financial statements

For the year ended 31 March 2016

2. Other operating income

	2016	2015
	£	£
Other operating income	-	5,000
Loan write back	-	1,550,000
Fees receivable from Joint Venture	125,978	106,000
	<u>125,978</u>	<u>1,661,000</u>

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	17,620	5,016
- held under finance leases	-	29,856
Auditor's remuneration	6,000	6,000
Auditor's remuneration - non-audit	1,750	1,500
Pension costs	21,669	25,697
Other operating lease costs	15,479	102,391
	<u>15,479</u>	<u>102,391</u>

4. Directors

	2016	2015
	£	£
Aggregate remuneration	176,856	222,959

During the year retirement benefits were accruing to 2 directors (2015 - 2) in respect of defined contribution pension schemes.

5. Interest receivable

	2016	2015
	£	£
Share of joint ventures' interest receivable	44,992	11,800
Other interest receivable	84	141
	<u>45,076</u>	<u>11,941</u>

Notes to the financial statements

For the year ended 31 March 2016

6. Taxation

	2016	2015
	£	£
UK corporation tax charge on (loss)/profit for the year	9,015	-

Unrelieved tax losses of £7.5m (2015 - £7.6m) remain available to offset against future taxable trading profits.

7. Retirement benefits

The company provides access to a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

8. Tangible fixed assets

	Fixtures & fittings £	Office equipment £	Computer Hardware & Software £	Total £
Cost				
At 1 April 2015	26,605	47,390	213,980	287,975
Additions	-	-	16,000	16,000
Disposals	(9,000)	-	-	(9,000)
At 31 March 2016	17,605	47,390	229,980	294,975
Depreciation				
At 1 April 2015	25,527	45,708	187,514	258,749
Charge for the year	665	1,682	15,273	17,620
On disposals	(9,000)	-	-	(9,000)
At 31 March 2016	17,192	47,390	202,787	267,369
Net book value				
At 31 March 2016	413	-	27,193	27,606
At 31 March 2015	1,078	1,682	26,466	29,226

Notes to the financial statements

For the year ended 31 March 2016

9. Fixed asset investments

	Shares in joint venture £	Loans to joint ventures £	Total £
Cost or valuation			
At 1 April 2015	1,550,526	-	1,550,526
Additions	129,997	281,733	411,730
Reclassification from current assets	50	118,000	118,050
At 31 March 2016	<u>1,680,573</u>	<u>399,733</u>	<u>2,080,306</u>
Impairment			
At 1 April 2015	-	-	-
Charge for the year	<u>1,680,573</u>	<u>-</u>	<u>1,680,573</u>
At 31 March 2016	<u>1,680,573</u>	<u>-</u>	<u>1,680,573</u>
Net book value			
At 31 March 2016	<u>-</u>	<u>399,733</u>	<u>399,733</u>
At 31 March 2015	<u>1,550,526</u>	<u>-</u>	<u>1,550,526</u>

The charge for the year of £1,680,573 represents an impairment of the carrying value of the shares held in Claven Holdings Limited due to the anticipated loss of the major client in one of its subsidiary businesses. Further details are set out in the Post Balance Sheet Event note.

At 31 March 2016 the company held 20% or more of the allotted share capital of the following:

Name	Class of shares	Holding	Aggregate share capital and reserves £	Profit/(loss) for the financial year £
Claven Holdings Limited	Ordinary	50%	(126,306)	(543,729)
Fieldcall Limited*	Ordinary	50%	132,297	7,017
The Property Service Partnership Limited*	Ordinary	50%	(302,788)	(48,504)
PDP Management Services Limited*	Ordinary	50%	78,409	61,210
Debt Management Services Limited*	Ordinary	50%	265,601	(18,248)
The Capital Group Holdings Limited*	Ordinary	50%	100	-
Capital Recoveries Limited*	Ordinary	50%	100	-
			<u>47,413</u>	<u>(542,254)</u>

* Indirect shareholding

Notes to the financial statements

For the year ended 31 March 2016

9. Fixed asset investments (continued)

Name	Business
Claven Holdings Limited	Holding Company
Fieldcall Limited	Field-based counselling services
The Property Service Partnership Limited	Field-based counselling services
PDP Management Services Limited	Field-based counselling services
Debt Management Services Limited	Field-based counselling services
The Capital Group Holdings Limited	Dormant
Capital Recoveries Limited	Dormant

10. Debtors

	2016	2015
	£	£
Trade debtors	37,605	140,704
Amounts owed by joint venture	23,569	27,342
Amounts owed by related parties	6,013	5,616
Other debtors	11,551	25,096
	<u>78,738</u>	<u>198,758</u>

11. Current asset investments

	2016	2015
	£	£
Shares in group undertakings	-	118,050
	<u>-</u>	<u>118,050</u>

12. Creditors:

Amounts falling due within one year

	2016	2015
	£	£
Bank overdraft	-	32,089
Trade creditors	37,737	45,328
Amounts owed to joint ventures	9,831	1,568
Corporation tax	9,015	-
Other taxation and social security	23,395	61,737
Accruals and deferred income	35,630	214,542
Other creditors	119,011	112,269
	<u>234,619</u>	<u>467,533</u>

Bank overdrafts are secured by an unlimited debenture incorporating fixed and floating charge.

Notes to the financial statements

For the year ended 31 March 2016

12. Creditors:
Amounts falling due within one year (continued)

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

	2016	2015
	£	£
Loan from group undertakings	<u>1,362,000</u>	<u>993,000</u>

14. Deferred tax

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2016	2015
	£	£
Excess of depreciation over taxation allowances	(4,273)	(6,678)
Tax losses available	4,798	7,191
Other timing differences	(525)	(513)
	<u>-</u>	<u>-</u>

No deferred tax asset has been recognised in respect of unrelieved tax losses due to uncertainty as to the availability of sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted. At the balance sheet date the unrecognised deferred tax asset in respect of unrelieved tax losses amounted to approximately £1,500,000 (2015 - £1,500,000).

15. Leasing commitments

At 31 March 2016 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016	2015	2016	2015
	£	£	£	£
Expiry date:				
Within 1 year	-	-	4,527	707
Within 1 to 2 years	-	72,812	-	6,952
	<u>-</u>	<u>72,812</u>	<u>-</u>	<u>6,952</u>

Notes to the financial statements

For the year ended 31 March 2016

16. Related party transactions

During the year, Pall Mall Collections Limited provided Clarity Credit Management Solutions Limited with a further loan of £369,000 (2015: £322,000). The amount owing at the year end was £1,362,000 (2015 - £993,000). There is no interest payable on these loans.

During the year Clarity Credit Management Solutions Limited incurred costs on behalf of Claven Holdings Limited which have been recharged in relation to administration expenses of £39,822 (2015 - £48,032), management fees of £16,600 (2015 - £50,000), monitoring fees of £28,333 (2015 - £20,000) and interest charges of £44,992 (2015 - £11,800).

During the year the company incurred management fees of £48,000 (2015 £nil) from Claven Holdings Limited

The balance owed by Claven Holdings Limited as at 31 March 2016 was £23,569 (2015 - £27,342) and owed to Claven Holdings Limited was £9,832 (2015 - £1,568). A loan of £399,733 (2015 - £118,000) to Claven Holdings Limited remains wholly outstanding as at 31 March 2016.

Transactions with Fieldcall Limited related to services provided to Clarity Credit Management Solutions Limited of £nil (2015 - £404) and recharges of administrative expenses to Fieldcall Limited of £nil (2015: £58,800). The balance outstanding at 31 March 2016 from Fieldcall Limited was £nil (2015 - £4,800) and to Fieldcall Limited was £nil (2015 - £nil).

Transactions with The Property Service Partnership Limited related to recharges of administration expenses of £313 (2015 - £6,732). The balance outstanding as at 31 March 2016 was £313 (2015 - £815).

Transactions with PDP Management Services Limited related to recharges of administration expenses of £nil (2015 - £nil). The balance outstanding as at 31 March 2016 was £300 (2015 - £nil).

Transactions with Debt Management Services Limited related to recharges of administration expenses of £26,938 (2015 - £nil). The balance outstanding as at 31 March 2016 was £5,400 (2015 - £nil).

17. Post balance sheet events

Via its investment in Claven Holdings Limited, Clarity Credit Management Solutions Limited has an interest in 50% of the issued share capital of PDP Management Services Limited. In January 2017 management became aware that the major client of PDP Management Services Limited intends to terminate its contract. Management anticipate that this will have a material impact on the financial performance of PDP Management Services Limited. Consequently, management has conducted an impairment review of the carrying value of the shares held in Claven Holdings Limited and has concluded that the carrying value of should be written off.

Notes to the financial statements

For the year ended 31 March 2016

18. Share capital

	2016 £	2015 £
Authorised		
7,950,000 A1 Ordinary shares of £1 each	7,950,000	7,950,000
10,122 A Ordinary shares of £0.01 each	101	101
1,785 B Ordinary shares of £0.01 each	18	18
1,190 C Ordinary shares £0.01 each	12	12
	<u>7,950,131</u>	<u>7,950,131</u>
Allotted, called up and fully paid		
6,250,000 A1 Ordinary shares of £1 each	6,250,000	6,250,000
10,122 A Ordinary shares of £0.01 each	101	101
1,785 B Ordinary shares of £0.01 each	18	18
	<u>6,250,119</u>	<u>6,250,119</u>

19. Reserves

	Share premium account £	Profit and loss account £
At 1 April 2015	860,499	(6,569,369)
Loss for the financial year	-	(1,495,712)
	<u>860,499</u>	<u>(8,065,081)</u>
At 31 March 2016		

20. Reconciliation of movement in shareholders' funds

	2016 £	2015 £
Opening shareholders' funds/(deficit)	541,249	(428,886)
(Loss)/profit for the financial year	(1,495,712)	970,135
	<u>(954,463)</u>	<u>541,249</u>
Closing shareholders' (deficit)/funds		

Notes to the financial statements

For the year ended 31 March 2016

21. Ultimate parent undertaking and controlling party

The directors consider that the parent undertaking of this company is Pall Mall Collections Limited.

The ultimate parent undertaking and controlling related party of this company is Seven Mile Capital Partners Founders fund LP, incorporated in the United States.