

## **CloudPay United Kingdom Limited**

### **Annual Report and Financial Statements**

**12 months ended 31 December 2014**

**Registered number: 03579805**



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# Company information

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**Directors**

P Bartlett

C Keil (resigned 20<sup>th</sup> February 2014)

P Wack (resigned 29<sup>th</sup> April 2014)

A Pearson

**Company secretary**

A Pearson

**Registered office**

Kingsgate House

Newbury Road

Andover

Hampshire SP10 4DU

England

**Registered number**

03579805

**Independent auditors**

BDO LLP

Chartered Accounts and Statutory Auditors

Arcadia House

Maritime Walk

Ocean Village

Southampton

SO14 3TL

# Strategic report

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

## **Principal activity**

CloudPay United Kingdom Limited ("the company") is part of the CloudPay Group which is a Software as a Service ("SaaS") business specialising in outsourced global HR and payroll solutions.

The principal activity of the company is to act as the group's distribution and payroll processing function. There has been no change to this activity since the year end.

## **Overseas subsidiaries and branch**

The financial statements include the results of the company's French branch for the year ended 31 December 2014.

## **Results**

The results for the year are shown in the profit and loss account and will be transferred to reserves. The financial position of the company is shown in the balance sheet.

The results include a foreign exchange loss for the year of £1,484,025 of which £1,470,190 is unrealised and relates to the revaluation of intercompany balances at the year end.

The performance of the company is impacted by a number of contracts and customer relationships that are managed by other companies within the CloudPay Group. A full business review is therefore contained within the consolidated financial statements of CloudPay Holdings Limited (formerly Woodford Technology Limited).

After the balance sheet date but prior to the approval of these financial statements, the parent undertaking, CloudPay Inc. received further financing from a combination of existing and new shareholders of CloudPay Inc. and new debt providers. The directors believe that this financing will provide adequate resources for both the group and the company enabling the continued growth and development of the business.

## **Future outlook**

The Company's revenue is expected to grow as a direct result of the expected increase in business of the CloudPay Group. The level of investment and expenses will increase accordingly to support this.

## **Principal risks and uncertainties**

The company is part of the CloudPay Holdings Limited Group and the principal risks and uncertainties it faces are closely aligned to that of the rest of the group.

The key business and financial risks affecting the group are set out below:

### *Competition*

The outsourcing market is a market which is affected by the global economic environment. The global nature of the contracts which are being negotiated with clients means that there is therefore some uncertainty over the level of future revenue of the CloudPay Group. Additionally, due to the nature of its core business, the group could be impacted by the release of new technology to the market.

### *Credit risk*

The group has a credit department which uses an external credit rating agency to evaluate customer credit risks. This risk is evaluated on processing a customer order with appropriate levels of credit being offered to customers depending upon information available.

### *Currency risk*

The Group operates in overseas territories and is therefore exposed to currency risk through the translation of the overseas transactions, assets and liabilities.

# Strategic report

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## *Liquidity risk*

The company has received written undertakings from its parent and other Group companies that they will not demand repayment of the £28,580,680 (note 12) owed to them for a period of at least a year from the date of the approval of these financial statements.

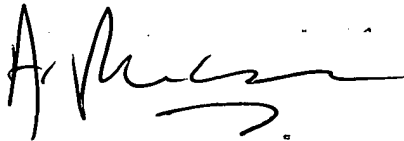
## *Interest rate cash flow risk*

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, which earn interest at a variable rate. Interest bearing liabilities include loans and overdraft facilities. Where possible the Group has a policy of maintaining debt at a fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

## **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

## **By Order of the Board**



**A Pearson**  
Secretary

Date: 8 March 2016

## Directors' report

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The directors present their report together with the audited financial statements for the year ended 31 December 2014.

### Overseas subsidiaries and branch

The financial statements include the results of the company's French branch for the year ended 31 December 2014.

### Future outlook

Likely future developments in the business of the group are discussed in the strategic report.

### Dividends

The directors are unable to recommend the payment of a dividend (2013: £nil).

### Directors

The directors of the company, all of whom have been directors through the year unless otherwise stated, are shown on page 1.

The directors did not have any interests in the shares of the company as at 31 Dec 2014 (31 Dec 2013: none).

### Financial risk management

Information on the Groups' management of business and financial risks are discussed in the strategic report.

### Directors' indemnity insurance

The company maintains liability insurance for its directors and officers.

### Charitable and political donations

There were no charitable or political donations during the year (2013: £nil).

### Going Concern

The directors have considered the going concern basis of preparation and this assessment is documented in note 1 of the financial statements.

### Directors' responsibilities statement in respect of the financial statements

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 prepared 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.

## Directors' report

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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.

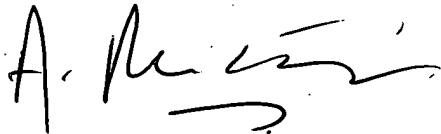
### Disclosure of information to auditors

In the case of each Director in office at the date the directors' report is approved:

- - so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The auditors, BDO LLP, have expressed their willingness to continue in office and are deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

### By Order of the Board



**A Pearson**  
Secretary

Date: 8 March 2016

# **Independent auditor's report to the members of CloudPay United Kingdom Limited**

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We have audited the financial statements of CloudPay United Kingdom Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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.

## **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](http://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 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Strategic Report and 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 CloudPay United Kingdom Limited

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## 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.

*BDO LLP*

**Kim Hayward (Senior Statutory Auditor)**

For and on behalf of BDO LLP

Chartered Accountants and Statutory Auditors

Southampton

*10 March* 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Profit and loss account

	Note	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Turnover	1, 2	6,551,834	5,569,990
Cost of sales		(5,469,826)	(4,566,616)
Gross profit		1,082,008	1,003,374
Administrative expenses		(4,322,904)	(2,453,620)
<b>Operating loss</b>	5	<b>(3,240,896)</b>	<b>(1,450,246)</b>
Other interest receivable and similar income	6	60	1
Interest payable and similar charges	6	-	(521)
<b>Loss on ordinary activities before taxation</b>		<b>(3,240,836)</b>	<b>(1,450,766)</b>
Tax on loss on ordinary activities	7	-	-
<b>Loss for the financial year</b>	18	<b>(3,240,836)</b>	<b>(1,450,766)</b>

The above results relate entirely to continuing activities.

There is no difference between the results above and their historical cost equivalents.

The notes on pages 11 to 21 form an integral part of these financial statements.

## Statement of total recognised gains and losses

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		Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Loss for the financial year	18	(3,240,836)	(1,450,766)
Currency translation differences on foreign currency net investments	18	124,590	(23,448)
<b>Total losses relating to the year</b>		<b>(3,116,246)</b>	<b>(1,474,214)</b>

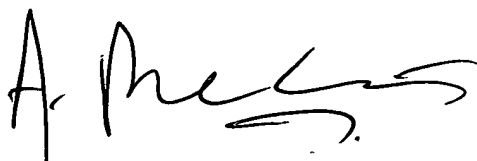
The notes on pages 11 to 21 form an integral part of these financial statements.

## Balance sheet

Cloudpay United Kingdom Ltd Y/E 31 December 2014

	Note	31 Dec 2014 £	31 Dec 2013 £
<b>Fixed assets</b>			
Investments	8	88,830	88,830
Tangible assets	9	531,486	591,716
		<u>620,316</u>	<u>680,546</u>
<b>Current assets</b>			
Debtors	10	23,279,288	22,020,813
Cash at bank and in hand		224,752	297,374
		<u>23,504,040</u>	<u>22,318,187</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(1,950,460)</u>	<u>(2,084,883)</u>
<b>Net current assets</b>		<u>21,553,580</u>	<u>20,233,304</u>
<b>Total assets less current liabilities</b>		<u>22,173,896</u>	<u>20,913,850</u>
Creditors: amounts falling due after more than one year	12	(28,982,208)	(24,605,916)
<b>Net liabilities</b>		<u>(6,808,312)</u>	<u>(3,692,066)</u>
<b>Capital and reserves</b>			
Called up share capital	17	2,384	2,384
Profit and loss account	18	(9,809,312)	(6,693,066)
Share premium account	18	2,998,616	2,998,616
<b>Total shareholders' deficit</b>	19	<u>(6,808,312)</u>	<u>(3,692,066)</u>

The financial statements on pages 8 to 21 were approved by the Board of Directors on 8<sup>th</sup> March 2016 and were signed on its behalf by:



**A Pearson**  
Director

Registered number: 03579805

# Notes to the financial statements

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## **(1) Principal accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The directors consider that the accounting policies set out below are suitable, have been consistently applied and are supported by reasonable and prudent judgments and estimates.

### **Basis of preparation**

As described in note 24, the ultimate controlling party of the company is CloudPay Inc., which together with other entities controlled by CloudPay Inc. is a Software as a Service ("SaaS") business specialising in outsourced global HR and payroll solutions.

The principal activity of the company is to act as one of the Group's distribution and payroll processing functions.

The company made a loss in the financial year of £ 3,240,836 (2013: £1,450,766) and has been reliant on the continued financial support of its fellow group undertakings. The company had net current assets of £21,553,580 (2013: £20,233,304) and net liabilities of £6,808,312 (2013: £3,692,066) at the year end.

The directors believe that the funding currently available to the group will provide adequate resources for both the group and the company to continue their operations for at least twelve months following the date of approval of these financial statements.

The company has received written undertakings from certain other group companies who were owed a total of £28,580,680 as at 31 December 2014 (note 12) that they will not demand repayment of such amounts for a period of at least a year from the date of the approval of these financial statements.

Accordingly, the directors believe that the going concern basis of preparation continues to be appropriate.

### **Consolidation**

Group financial statements have not been prepared as exemption has been taken under section 400 of Companies Act 2006 on the grounds that it is a wholly owned subsidiary of CloudPay Holdings Limited, a company incorporated and registered in England and Wales.

The accounts present information about it as an individual undertaking and not about the Group.

### **Cash flow statement**

The Company is exempt under the terms of FRS 1 (revised 1996) from preparing a cash flow statement as its cash flows are included in the consolidated cash flow statement of CloudPay Holdings Limited, its immediate parent undertaking.

### **Related party transactions**

The company is a wholly owned subsidiary of the CloudPay Inc. and under the terms of FRS 8 'Related party transactions', has taken advantage of the exemption not to disclose transactions with other wholly owned Group companies.

### **Taxation and deferred taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

# Notes to the financial statements

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## Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account unless they relate to qualifying net investment hedges in which case they are deferred and reported in equity.

## Interest

Interest payable or receivable is recognised in the profit and loss account on an accruals basis.

## Investments

Investments in subsidiary undertakings are stated at cost less any impairment losses.

## Turnover

Turnover is measured at the fair value of consideration received or receivable and represents amounts for goods and services provided to third parties in the normal course of business during the period, net of value added tax and any discounts, and results from the principal activity of the company.

Each element of revenue (described below) is recognised only when:

- Delivery of goods or provision of services has occurred;
- The consideration receivable is fixed or determinable;
- There are no significant vendor obligations remaining; and
- Collection of the amount due from the customer is reasonably assured.

(i) Subscription income from payroll processing, provision of web-based HR services and any related support, maintenance and unit based licensing arrangements is recognised rateably over the term of the related customer contract.

(ii) Implementation and set-up fees in connection with the provision of payroll processing and web-based HR services are deferred until such initial work is considered complete and is then recognised rateably over the term of the related customer contract.

(iii) Any income arising from pure consultancy work is recognised in the profit and loss account on a time and materials basis.

Goods and services that have been delivered at the end of a financial period but which have not been invoiced at that time are recognised as turnover in the profit and loss account and shown within prepayments and accrued income on the balance sheet.

Advance payments from customers or advance invoicing at the end of a financial period are included within accruals and deferred income in the balance sheet. Such amounts are recognised in the profit and loss account as the any goods or services are provided to the customer in accordance with points (i) to (iii) as set out above.

## Deferred costs

Costs in respect of implementation and set up fees are deferred until such initial work is considered complete and are then recognised rateably over the term of the related customer contract. Deferred costs are included within prepayments and accrued income in the balance sheet.

## Tangible fixed assets and depreciation

Tangible fixed assets are stated at original cost less accumulated depreciation and any impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the items.

Depreciation on tangible fixed assets is calculated using the straight-line method to allocate the cost of each asset less its residual value, if any, over its estimated useful life as follows:

- |                          |                            |
|--------------------------|----------------------------|
| - Leasehold improvements | Over remaining lease term. |
| - Plant and equipment:   | 15% to 33% per annum.      |

# Notes to the financial statements

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## Leases

Leases, in respect of fixed assets where the company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance expenses so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance expenses, are included within borrowings.

Fixed assets acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

## Share-based payment incentives

Certain of the company's employees participate in the ultimate parent company's share option scheme.

During the year all outstanding share options (both vested and unvested) held by employees were revalued. The company used an independent specialist to undertake the valuation exercise.

The fair value of the awards is calculated at grant date and is recognised as an expense over the vesting period. For awards with vesting conditions based on market conditions the likelihood of vesting is assessed at the date of grant and is not subsequently amended in arriving at the expense for each year in the vesting period. All other awards are re-assessed at each balance sheet date, with the expense recognised in the profit and loss account, including the impact of changes of previous estimates of the likelihood of vesting.

The company is recharged by the ultimate parent undertaking an amount in relation to those employees who have an interest in share-based incentive schemes. In 2014 the charge included an adjustment relating to the re-pricing of the outstanding options which resulted in an overall credit from the ultimate parent.

The company has received a written undertaking from individuals that have been awarded share options that they will meet any taxation and National Insurance liabilities that may arise and, as a result, no provision is required to be made in the financial statements in this respect.

## Pensions

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable. The assets of the scheme are held separately of those from the company in an independently administered fund. Any excess or shortfall in contributions compared to the charge recognised in the profit and loss account is shown as prepayments or accruals.

## Notes to the financial statements

### (2) Turnover

All turnover arises from the principal activities of the group and an analysis of the geographical origin of turnover is given below:

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
United Kingdom	6,401,264	5,501,270
Europe	150,570	68,720
	<b>6,551,834</b>	<b>5,569,990</b>

### (3) Staff costs

The average monthly number of staff employed by the company (including executive directors) during the year was 68 (2013: 65). Staff costs for these individuals are shown below:

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Wages and salaries	2,511,318	2,624,339
Social security costs	345,953	391,009
Pension costs	78,601	32,873
<b>Staff costs excluding share-based payment</b>	<b>2,935,872</b>	<b>3,048,221</b>
Share-based payment re-charge	(411,889)	56,577
<b>Total staff costs</b>	<b>2,523,983</b>	<b>3,104,798</b>

### (4) Directors' emoluments

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Aggregate emoluments	159,887	159,384
	<b>159,887</b>	<b>159,384</b>

### (5) Operating loss

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Operating loss is stated after charging:		
Depreciation: owned assets	83,194	59,574
Auditors' remuneration: audit services	27,500	25,000
Loss on disposal of fixed assets	-	15,302
Operating lease charges: Land and buildings	118,064	158,934
Operating lease charges: Plant and machinery	18,866	36,160
Share-based payment (credit)/re-charge	(411,889)	56,577
Foreign exchange loss/(gain)	<b>1,484,025</b>	<b>(497,051)</b>

Statutory information on remuneration for other services provided by the company's auditors and its associates is given on a consolidated basis in the Group accounts of the immediate parent, CloudPay Holdings Limited.



## Notes to the financial statements

### (6) Net interest

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Bank interest payable	-	-
Interest element of finance lease repayments	-	(19)
Other interest payable	-	(502)
	-	(521)
Bank interest receivable	60	1
<b>Net interest</b>	<b>60</b>	<b>(520)</b>

### (7) Tax on loss on ordinary activities

#### Analysis of tax charge for the year:

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Corporation tax	-	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>
Origination and reversal of timing differences (note 16)	-	-
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
<b>Tax on loss on ordinary activities</b>	<b>-</b>	<b>-</b>

#### Factors affecting the tax charge for the period:

The total current tax charge for the period differs from the standard rate of tax in the UK. The differences are explained below:

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Loss on ordinary activities before taxation	( 3,240,836)	(1,450,766)
Loss on ordinary activities multiplied by the rate of tax for small companies in the UK of 21.49% (2013: 23.23%)	(696,558)	(337,253)
Effects of:		
Expenses not allowable for tax purposes	7,768	49,239
Fixed asset differences	5,247	7,837
Depreciation in excess of capital allowances	326	(11,484)
Unutilised tax losses	771,989	291,661
Other short term timing differences	(244)	-
Share based payment credit	(88,528)	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements

### (8) Investments in subsidiary companies

	£
Cost	
At 1 January 2014	88,830
Additions during the year	-
<b>At 31 December 2014</b>	<b>88,830</b>

In the opinion of the directors the carrying value of the investments in subsidiaries is not less than the cost stated above. Further details of the company's subsidiary undertakings whose principal activity is to provide payroll processing services are given below:

Name of subsidiary	Country of registration	Percentage of equity share capital held	Capital and reserves at 31 Dec 2014 £	Loss for the period ended 31 Dec 2014 £
CloudPay Software Service (Shanghai) Limited	China	100%	(174,080)	(95,156)
CloudPay Italy srl	Italy	100%	(61,885)	(39,051)

### (9) Tangible assets

	Leasehold improvements £	Plant and machinery £	Total £
<b>Cost:</b>			
At 1 January 2014	582,090	917,434	1,499,524
Additions	-	23,062	23,062
Disposals	-	-	-
Foreign exchange differences	-	(1,978)	(1,978)
<b>At 31 December 2014</b>	<b>582,090</b>	<b>938,518</b>	<b>1,520,608</b>
<b>Amortisation:</b>			
At 1 January 2014	(108,092)	(799,716)	(907,808)
Charge for the period	(24,106)	(59,088)	(83,194)
Disposals	-	-	-
Foreign exchange differences	-	1,880	1,880
<b>At 31 December 2014</b>	<b>(132,198)</b>	<b>(856,924)</b>	<b>(989,122)</b>
<b>Net book value:</b>			
<b>At 31 December 2014</b>	<b>449,892</b>	<b>81,594</b>	<b>531,486</b>
At 31 December 2013	473,998	117,718	591,716

## Notes to the financial statements

### (10) Debtors

	31 Dec 2014 £	31 Dec 2013 £
Trade debtors	2,441,051	972,434
Amounts owed by group companies	19,981,179	19,876,345
Other debtors	82,648	42,097
Prepayments, accrued income	774,410	1,129,937
	<b>23,279,288</b>	<b>22,020,813</b>

Prepayments and accrued income include deferred costs totalling £603,851 (2013: £619,818) relating to customer contracts which are expected to be recognised in the profit and loss account as follows:

	31 Dec 2014 £	31 Dec 2013 £
Within one year	307,108	242,926
After more than one year	296,743	376,892
	<b>603,851</b>	<b>619,818</b>

### (11) Creditors: amounts falling due within one year

	31 Dec 2014 £	31 Dec 2013 £
Bank loans and overdrafts (note 13)	-	17,695
Trade creditors	933,497	959,352
Other taxation and social security	168,855	221,666
Obligations under finance leases (note 14)	2,679	3,027
Other creditors	26,974	10,738
Accruals and deferred income	818,455	872,405
	<b>1,950,460</b>	<b>2,084,883</b>

Accruals and deferred income includes £421,055 (2013: £329,912) in respect of deferred income on customer contracts (note 15).

### (12) Creditors: amounts falling due after more than one year

	31 Dec 2014 £	31 Dec 2013 £
Amounts owed to group companies	28,580,680	24,082,598
Deferred income (note 15)	401,528	523,318
	<b>28,982,208</b>	<b>24,605,916</b>

Amounts owed to Group companies are unsecured and interest free. The Group companies have confirmed that they will not demand repayment for at least one year from the date of approving the financial statements.

### (13) Maturity profile of bank loans

	31 Dec 2014 £	31 Dec 2013 £
Within one year	-	17,695
Between two and five years	-	-
After more than five years	-	-
	<b>7,591</b>	<b>17,695</b>

# Notes to the financial statements

## (14) Obligations under finance leases

The Company has obligations under finance leases as follows:

	31 Dec 2014 £	31 Dec 2013 £
Within one year	2,679	3,027
Between two and five years	-	-
	<b>2,679</b>	<b>3,027</b>

## (15) Deferred income

Deferred income on customer contracts is expected to be recognised as turnover in the profit and loss account as follows:

	31 Dec 2014 £	31 Dec 2013 £
Within one year	421,055	329,912
Between two and five years	401,528	523,318
After more than five years	-	-
	<b>822,583</b>	<b>853,230</b>

## (16) Deferred tax

	31 Dec 2014 £	31 Dec 2013 £
Deferred tax asset at start of the period	-	-
Net movement reflected in the profit and loss account (note 7)	-	-
<b>Deferred tax at end of the period</b>	<b>-</b>	<b>-</b>

At 31 December 2014 there are unrecognised deferred tax balances comprising the following:

	Year ended 31 Dec 2014
Capital allowances in advance of depreciation	32,791
Short term timing differences	(18,111)
Unrelieved trading losses	(2,221,967)
	<b>(2,207,287)</b>

These assets have not been recognised in these financial statements on the basis that management believe that there is currently insufficient evidence to support their recoverability.

## (17) Called up share capital

	31 Dec 2014 £	31 Dec 2013 £
<b>Authorised:</b>		
100,000 ordinary shares of £1 each	100,000	100,000
	<b>Number</b>	<b>Number</b>
<b>Allotted, called up and fully paid:</b>		
2,384 (2013: 2,384) ordinary shares of £1 each	2,384	2,384

# Notes to the financial statements

## (18) Reserves

	Profit and loss Account £	Share premium account £
At 1 January 2014	(6,693,066)	2,998,616
Loss for the financial year	(3,240,836)	-
Exchange differences taken to reserves	124,590	-
<b>At 31 December 2014</b>	<b>(9,809,312)</b>	<b>2,998,616</b>

## (19) Reconciliation of movements in shareholders' funds

	£
At 1 January 2014	(3,692,066)
Loss for the financial year	(3,240,836)
Exchange differences taken to reserves	124,590
<b>At 31 December 2014</b>	<b>(6,808,312)</b>

## (20) Commitments under operating leases

At the period end the company had annual commitments under non-cancellable operating leases expiring as follows:

	31 Dec 2014 £	31 Dec 2013 £
<b>Plant and machinery</b>		
Within one year	88,545	136,252
Between two and five years	5,788	1,152
	<b>94,333</b>	<b>137,404</b>
<b>Land and buildings</b>		
Within one year	-	-
After more than five years	85,000	85,000
	<b>85,000</b>	<b>85,000</b>

## (21) Pensions

The company operates a defined contribution pension scheme and the assets of the scheme are held separately from those of the company in an independently administered fund.

The pension charge for the period amounted to £50,413 (2013: £32,873). Included in accruals at 31 December 2014 were £22,244 (2013: £16,478) of unpaid pension contributions.

## (22) Related party transactions

K Paterson and J Hollis, shareholders of the ultimate parent company and former directors of the company, are trustees of Patersons Retirement Benefit Scheme. Rent on a property leased by the group amounting to £45,000 (2013: £45,000) was paid to The Woodford Partnership, in which Patersons Retirement Benefit Scheme has a 50% interest.

K Paterson and J Hollis, shareholders of the ultimate parent company and former directors of the company, are trustees of Patersons Retirement Benefit Scheme. C Morrow, a shareholder of the ultimate parent company CloudPay Inc., is a landlord of one of the properties which the company occupies. Rent on this property leased by the Company amounting to £40,000 (2013: £40,000) was paid to the Unit 2 Partnership, in which Patersons Retirement Benefit Scheme, Trustees of which include K Paterson and J Hollis, has a 66.7% interest and C Morrow has a 33.3% interest.

# Notes to the financial statements

## (22) Related party transactions (continued)

E Barnes, a shareholder of ultimate parent undertaking, is Managing Director of BJIC Ltd. During the period there was charge to the profit and loss account of £1,777 (2013: £17,294) in relation to various insurance policies brokered by BJIC Ltd on behalf of the group with third party insurers. BJIC Ltd did not directly receive a brokerage fee from the company.

During the year an interest free loan of £63,000 (2013: £nil) was made to A Pearson. At the year end £63,000 (2013: £nil) remains outstanding and is included within debtors.

There are no other related party transactions that require disclosure under FRS 8. The company has taken advantage of the exemption not to disclose transactions with entities that are wholly owned by its ultimate parent undertaking.

## (23) Share based payment

All eligible management and employees of the company have been granted share options under the CloudPay Inc. Share Option Scheme. There were 41,808 options (2013: nil) granted to employees of the company during the year.

During 2014 all outstanding options (both vested and unvested) issued to employees of the company were re-priced to reflect the change in their value. The company use the services of an independent specialist third party to perform the valuation on which the revised pricing was based.

CloudPay Inc. recharges the company for the fair value of the share options granted to employees and management of the company. The credit for 2014 also reflects the adjustment required resulting from the option re-price undertaken during the year.

Once the options have vested they may be exercised in full or in part on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of these options in any share issue of any other company in the group and the company has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of options was determined using the Black-Scholes Merton Model and the credit by CloudPay Inc to the company for the year ended 31 December 2014 was £411,889 (2013 charge: £56,577).

The significant inputs into the model were the deemed share price/exercise price of \$5.06, option lives of 0 to 4 years, standard deviation of expected share price returns of 68%, and annual risk-free interest rate of 3.25%. The volatility measured as the standard deviation of expected share price returns was based on the average of a statistical analysis of share prices of listed companies in a comparable market sector.

	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Weighted</b>		<b>Weighted</b>	
	<b>average</b>		<b>average</b>	
	<b>exercise price</b>	<b>Number of</b>	<b>exercise price</b>	<b>Number of</b>
	<b>US\$</b>	<b>shares</b>	<b>US\$</b>	<b>shares</b>
Outstanding at 1 January	<b>52.21</b>	<b>15,216</b>	52.21	15,496
Option re-pricing	<b>(47.15)</b>	-	-	-
Granted during the year	<b>5.06</b>	<b>41,808</b>	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	<b>(53.54)</b>	<b>(260)</b>	52.18	(280)
<b>Outstanding at 31 December</b>	<b>5.06</b>	<b>56,764</b>	52.21	15,216

The exercise price of options outstanding at the end of the year was \$5.06 (2013: US\$51.65 to US\$84.15) and their weighted average contractual life was 9.0 years (2013: 7.4).

Of the total number of options outstanding at the end of the year, 15,116 (2013: 11,558) had vested and were exercisable at the end of the year.

## Notes to the financial statements

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### **(24) Immediate/ultimate parent undertaking and ultimate controlling party**

CloudPay Holdings Limited, a company incorporated in England and Wales, is the immediate parent undertaking of the company and is the smallest and largest company to consolidate these financial statements. The consolidated financial statements may be obtained from CloudPay Holdings Limited, Kingsgate House, Newbury Road, Andover, Hampshire SP10 4DU.

CloudPay Inc., a company incorporated in Delaware, United States of America, is the ultimate parent undertaking of the company and is considered by the directors to be the ultimate controlling party.