

CloudPay United Kingdom Limited

Annual Report and Financial Statements

12 months ended 31 December 2015

Registered number: 03579805

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CloudPay United Kingdom Limited

Contents

	Page
Company information.....	1
Strategic report.....	2-3
Directors' report.....	4-5
Independent auditors' report to the members of CloudPay United Kingdom Limited.....	6-7
Statement of comprehensive income.....	8
Balance sheet.....	9
Statement of changes in equity.....	10
Notes to the financial statements.....	11-22

CloudPay United Kingdom Limited

Company information

Directors

P Bartlett
A Pearson

Company secretary

A Pearson

Registered office

Kingsgate House
Newbury Road
Andover
Hampshire
England
SP10 4DU

Registered number

03579805

Independent auditors

BDO LLP
Chartered Accounts and Statutory Auditors
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

CloudPay United Kingdom Limited

Strategic Report

The directors, in accordance with s.414C of the Companies Act, present their strategic report with the audited financial statements for the year ended 31 December 2015.

Principal activity

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

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

Overseas subsidiary and branch

The financial statements include the results of the company's French branch for the year ended 31 December 2015.

Review of the business

Turnover for the year ended 31 December 2015 was £7,408,337 (2014: £6,551,834).

The comprehensive loss for the financial year to 31 December 2015 was £2,328,806 (2014: £3,598,088)

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

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 business review is therefore contained within the strategic report in the consolidated financial statements of CloudPay Holdings Limited.

After the balance sheet date but prior to the date of approval of these financial statements, the parent undertaking, CloudPay Inc., received a commitment for further financing from the existing shareholders of CloudPay Inc. Of the \$7.8million committed, \$4.8million had been received prior to the approval of these financial statements. The directors believe that this financing will provide additional resources for both the group and the company to enable continued growth and development of the business.

Risk management

The management of the business and execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are:

Competition

The outsourcing market is a market which is affected by the global economic environment. The global nature of the contracts 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

Credit risk is evaluated on processing of a new customer contract, 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 overseas transactions, assets and liabilities.

Liquidity risk

The company has received written undertakings from its parent and other group companies that they will not demand repayment of the £30,898,700 (note 12) owed to them for a period of at least a year from the date of approval of these financial statements.

CloudPay United Kingdom Limited

Strategic Report

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 at 31 December 2015 include convertible debt and loans. Historically, where possible the group has a policy of maintaining debt at a fixed rate. After the balance sheet date, but prior to the approval of these financial statements, the group agreed a new credit facility which provides more flexible and, currently, cheaper debt, but at variable interest rates

The company currently has access to sufficient financial resources for its operations, and as a consequence the directors believe that the company is well placed to manage its business risks despite the current uncertain economic outlook.

Key performance indicators

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

Future developments

The directors expect the general level of activity to remain consistent with 2015 in the coming year.

By Order of the Board



A Pearson
Director

Date: 01/12/16

CloudPay United Kingdom Limited

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2015.

A review of the business including employee information, principle risks and uncertainties and key performance indicators are not shown in the directors report as this information is included in the strategic report under S414C(11) of the Companies Act 2006.

Directors

The directors who served during the year were:

P Bartlett
A Pearson

Results

The comprehensive loss for the year, after taxation, amounted to £2,328,806 (2014: £3,598,088).

Dividend

The directors are unable to recommend the payment of a dividend (2014: nil)

Going Concern

The directors review their forecasts with specific reference to the ability of the business to meet its liabilities as they fall due and have a reasonable expectation that the company is well placed to manage its business risks successfully. The forecasts cover the period beyond the twelve months from the date of signing of these accounts and make allowance for reasonably foreseeable impacts of the current economic environment.

The directors believe that the funding currently available to the group is adequate 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 directors have received confirmation that the amounts due to other companies within the group headed by CloudPay Inc. are only settled when sufficient surplus funds exist. Additionally, the parent undertaking, CloudPay Inc., has received further financing from the existing shareholders of CloudPay Inc. and has in place a new debt facility.

Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, 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.

CloudPay United Kingdom Limited

Directors' Report

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

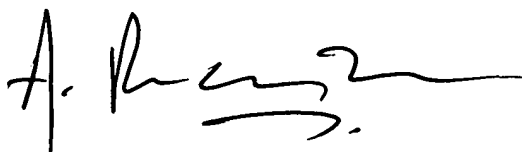
In the case of each director in office at the date the directors' report is approved:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

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
Director

Date:

01 / 12 / 16

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

We have audited the financial statements of CloudPay United Kingdom Limited for the year ended 31 December 2015 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 auditors

As explained more fully in the statement of directors' responsibilities, 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.

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 December 2015 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

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

12 December 2016

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

CloudPay United Kingdom Limited

Statement of Total Comprehensive Income

	Note	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Turnover	1, 3	7,408,337	6,551,834
Cost of sales		(5,145,601)	(5,469,826)
Gross profit		2,262,736	1,082,008
Administrative expenses		(4,713,789)	(4,804,746)
Operating loss	6	(2,451,053)	(3,722,738)
Other interest receivable and similar income	7	2,442	60
Loss on ordinary activities before taxation		(2,448,611)	(3,722,678)
Taxation on loss on ordinary activities	8	-	-
Loss on ordinary activities after taxation		(2,448,611)	(3,722,678)
Other comprehensive income			
Currency translation differences		119,805	124,590
Other comprehensive income for the year		119,805	124,590
Total comprehensive loss for the year		(2,328,806)	(3,598,088)

The notes on pages 11 to 22 form part of these financial statements.

CloudPay United Kingdom Limited

Balance Sheet

	Note	31 Dec 2015 £	31 Dec 2014 £
Fixed assets			
Investments	9	-	88,830
Tangible assets	10	<u>213,171</u>	<u>531,486</u>
		213,171	620,316
Current assets			
Debtors	11	22,556,940	23,279,288
Cash at bank and in hand		<u>417,170</u>	<u>224,752</u>
		22,974,110	23,504,040
Creditors: amounts falling due within one year	12	(32,523,337)	(31,012,982)
Net current liabilities		(9,549,227)	(7,508,942)
Total assets less current liabilities		(9,336,056)	(6,888,626)
Creditors: amounts falling due after more than one year	13	(282,904)	(401,528)
Net liabilities		(9,618,960)	(7,290,154)
Capital and reserves			
Called up share capital	17	2,384	2,384
Share premium account		2,998,616	2,998,616
Profit and loss account		<u>(12,619,960)</u>	<u>(10,291,154)</u>
		(9,618,960)	(7,290,154)

The financial statements on pages 8 to 22 were approved by the Board of Directors and were signed on its behalf by:

A Pearson
Director

Date:

01 / 12 / 16

Registered number: 03579805

The notes on pages 11 to 22 form part of these financial statements.

CloudPay United Kingdom Limited

Statement of Changes in Equity

	Share capital	Share premium	Profit and loss account	Total Equity
	£	£	£	£
1 January 2014	2,384	2,998,616	(6,693,066)	(3,692,066)
Comprehensive loss for the year				
Loss for the year	-	-	(3,722,678)	(3,722,678)
Other comprehensive income for the year				
Currency translation differences	-	-	124,590	124,590
Total comprehensive income for the year	-	-	(3,598,088)	(3,598,088)
31 December 2014	2,384	2,998,616	(10,291,154)	(7,290,154)
1 January 2015	2,384	2,998,616	(10,291,154)	(7,290,154)
Comprehensive loss for the year				
Loss for the year	-	-	(2,448,611)	(2,448,611)
Other comprehensive income for the year				
Currency translation differences	-	-	119,805	119,805
Total comprehensive loss for the year	-	-	(2,328,806)	(2,328,806)
31 December 2015	2,384	2,998,616	(12,619,960)	(9,618,960)

The notes on pages 11 to 22 form part of these financial statements.

CloudPay United Kingdom Limited

Notes to the financial statements

(1) Accounting policies

Basis of preparation of financial statement

CloudPay United Kingdom Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 24.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies (see note 2).

The company is itself a subsidiary company and is exempt from the requirements to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102:

- the requirements of Section 7 *Statement of Cash Flows* and Section 3 *Financial Statement Presentation* paragraph 3.17(d);
- the requirements of Section 11 paragraphs 11.39 to 11.48A;
- the requirements of Section 26 *Share-based Payment* paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirement of Section 33 *Related Party Disclosures* paragraph 33.1A and 33.7.

This information is included in the consolidated financial statements of CloudPay Holdings Limited as at 31 December 2015 and these financial statements may be obtained from Kingsgate House, Newbury Road, Andover, Hampshire, England, SP10 4DU.

Going concern

As described in note 22, 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 payroll solutions.

The company made a total comprehensive loss in the financial year of £2,328,806 (2014: £3,598,088) and has been reliant on the continued financial support of its fellow group undertakings. The company had net current liabilities of £9,549,227 (2014: £7,508,942) and net liabilities of £9,618,960 (2014: £7,290,154) at the year end.

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

CloudPay United Kingdom Limited

Notes to the financial statements

(1) Accounting policies (*continued*)

Going concern (*continued*)

In addition to the above, the Company has received written undertakings from certain other group companies who were owed a total of £30,898,700 as at 31 December 2015 (see 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.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional and presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the group entity's functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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 services are deferred until such initial work is considered complete and is then recognised rateably over the remaining term of the related customer contract.

(iii) Any income arising from pure consultancy work is recognised in the statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income as the any goods or services are provided to the customer in accordance with points (i) to (iii) as set out above.

CloudPay United Kingdom Limited

Notes to the financial statements

(1) Accounting policies (*continued*)

Interest

Interest payable or receivable is recognised in the statement of comprehensive income over the term of the debt using the effective interest rate method

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 remaining 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 historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- | | |
|--------------------------|----------------------------------|
| - Leasehold improvements | - over the remaining lease term. |
| - Plant and equipment: | - 33% per annum. |

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

Impairment of tangible assets

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Leases

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to statement of comprehensive income over the shorter of the estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

CloudPay United Kingdom Limited

Notes to the financial statements

(1) Accounting policies (*continued*)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Share-based payment incentives

Certain employees of the company participate in the equity-settled share-based payment incentive run by CloudPay Inc., the ultimate parent undertaking.

Where share options are awarded to employees, the fair value of the option at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

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.

The group 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. As a result, no provision is required to be made in the financial statements in this respect.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

CloudPay United Kingdom Limited

Notes to the financial statements

(1) Accounting policies (*continued*)

Current and deferred taxation (*continued*)

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are not discounted.

Pensions

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Reserves

The Company's reserves are as follows;

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account included the premium of equity shares, net of any issue costs.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

(2) Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Tangible fixed assets (see note 10)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

In determining whether there are indicators of impairment of the company's tangible assets, factors taken into consideration include the economic viability and expected future financial performance of the asset.

- Deferred costs (see note 11)

Revenue generated from implementation work performed on new customer contracts is deferred and released over the remaining term of the contract. The related costs are also deferred and released over this same period. The value of costs deferred are based on an estimated average profit margin based on contract pricing estimates prepared at the commencement of each contract. Costs are then deferred on a straight line basis for the duration of the estimated implementation phase.

(3) 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 2015 £	Year ended 31 Dec 2014 £
United Kingdom	7,234,386	6,401,264
Europe	173,951	150,570
	<u>7,408,337</u>	<u>6,551,834</u>

CloudPay United Kingdom Limited

Notes to the financial statements

(4) Staff costs

The average monthly number of staff employed by the company (including executive directors) during the year was 63 (2014: 68). Staff costs for these individuals are shown below:

	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Wages and salaries	2,415,663	2,511,318
Social security costs	266,582	345,953
Pension costs	92,959	78,601
Staff costs excluding share-based payment	2,775,204	2,935,872
Share-based payment re-charge	32,306	69,953
Total staff costs	2,807,510	3,005,825

(5) Directors' emoluments

	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Directors' emoluments	165,163	159,887
Company contributions to money purchase pension schemes	3,552	-
	168,715	159,887

(6) Operating loss

	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	71,863	83,194
Impairment of investments	88,830	-
Auditors' remuneration: audit services	22,000	20,000
Loss on disposal of fixed assets	450,892	-
Operating lease charges: Land and buildings	124,795	118,064
Operating lease charges: Plant and machinery	3,457	18,866
Share-based payment re-charge	32,306	69,953
Exchange differences	1,622,874	1,484,025

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

(7) Net interest

	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Bank interest receivable	2,442	60
Net interest	2,442	60

CloudPay United Kingdom Limited

Notes to the financial statements

(8) Tax on loss on ordinary activities

Analysis of tax charge for the year:

	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
<i>UK corporation tax</i>		
Current tax on loss for the year	-	-
Total current tax	-	-
Deferred tax	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax charge for the period:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Loss on ordinary activities before taxation	(2,448,611)	(3,722,678)
Loss on ordinary activities multiplied by the rate of tax for small companies in the UK of 20.25% (2014: 21.49%)	(495,844)	(800,004)
Effects of:		
Expenses not allowable for tax purposes	32,233	22,686
Fixed asset differences	38,571	5,247
Depreciation in excess of capital allowances	-	326
Deferred tax not recognised	425,040	771,989
Other short term timing differences	-	(244)
Total tax charge for the year	-	-

CloudPay United Kingdom Limited

Notes to the financial statements

(9) Investments in subsidiary companies

	£
Cost	
At 1 January 2015	88,830
Impairment in the year	(88,830)
At 31 December 2015	-

During the year, management conducted an impairment review on the carrying value of investments. As a result, the value of investments has been impaired to £nil.

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 2015 £	Loss for the period ended 31 Dec 2015 £
CloudPay Software Service (Shanghai) Limited	China	100%	(221,336)	(48,634)
CloudPay Italy srl	Italy	100%	(66,183)	(7,811)

(10) Tangible assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost:			
At 1 January 2015	582,090	938,518	1,520,608
Additions	157,894	46,568	204,462
Disposals	(582,090)	(38,711)	(620,801)
Foreign exchange differences	-	(1,745)	(1,745)
At 31 December 2015	157,894	944,630	1,102,524
Amortisation:			
At 1 January 2015	132,198	856,924	989,122
Charge for the period	20,680	51,183	71,863
Disposals	(132,198)	(37,711)	(169,909)
Foreign exchange differences	-	(1,723)	(1,723)
At 31 December 2015	20,680	868,673	889,353
Net book value:			
At 31 December 2015	137,214	75,957	213,171
At 31 December 2014	449,892	81,594	531,486

CloudPay United Kingdom Limited

Notes to the financial statements

(11) Debtors

	31 Dec 2015 £	31 Dec 2014 £
Trade debtors	1,057,481	2,441,051
Amounts owed by group companies	20,456,205	19,981,179
Other debtors	198,621	82,648
Prepayments and accrued income	844,633	774,410
	22,556,940	23,279,288

Prepayments and accrued income includes deferred costs totalling £553,292 (2014: £603,851) relating to customer contracts which are expected to be recognised in the profit and loss account as follows:

	31 Dec 2015 £	31 Dec 2014 £
Within one year	338,372	307,108
After more than one year	214,920	296,743
	553,292	603,851

(12) Creditors: amounts falling due within one year

	31 Dec 2015 £	31 Dec 2014 £
Trade creditors	466,125	933,497
Other taxation and social security	239,403	168,855
Obligations under finance leases	2,194	2,679
Other creditors	20,619	26,974
Accruals and deferred income	896,296	818,455
Amounts owed to group companies	30,898,700	29,062,522
	32,523,337	31,012,982

Accruals and deferred income includes £469,316 (2014: £421,055) in respect of deferred income on customer contracts (note 15).

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) Creditors: amounts falling due after more than one year

	31 Dec 2015 £	31 Dec 2014 £
Deferred income (note 15)	282,904	401,528
	282,094	401,528

CloudPay United Kingdom Limited

Notes to the financial statements

(14) Obligations under finance leases

The Company has obligations under finance leases as follows:

	31 Dec 2015 £	31 Dec 2014 £
Within one year	2,194	2,679
	<u>2,194</u>	<u>2,679</u>

(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 2015 £	31 Dec 2014 £
Within one year	469,316	421,055
Between two and five years	282,904	401,528
	<u>752,220</u>	<u>822,583</u>

(16) Deferred tax

	31 Dec 2015 £	31 Dec 2014 £
Deferred tax asset at start of the period	-	-
Net movement reflected in the profit and loss account (note 8)	-	-
Deferred tax at end of the period	<u>-</u>	<u>-</u>

At 31 December 2015 there are unrecognised deferred tax balances comprising the following:

	Year ended 31 Dec 2015
Capital allowances in advance of depreciation	(21,398)
Short term timing differences	(16,030)
Unrelieved trading losses	(2,326,172)
	<u>(2,363,600)</u>

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 2015 £	31 Dec 2014 £
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
	Number	Number
Allotted, called up and fully paid:		
2,384 (2014: 2,384) ordinary shares of £1 each	<u>2,384</u>	<u>2,384</u>

CloudPay United Kingdom Limited

Notes to the financial statements

(18) Commitments under operating leases

At the period end the company had minimum lease payments under non-cancellable operating leases as set out below:

	31 Dec 2015 £	31 Dec 2014 £
No later than 1 year	105,451	98,910
Later than 1 year and not later than 5 years	340,656	441,228
Later than 5 years	-	998,750
	446,107	1,538,888

(19) 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 £92,959 (2014: £78,601). Included in accruals at 31 December 2015 were £13,840 (2014: £22,244) of unpaid pension contributions.

(20) Share based payment

Certain eligible management and employees of the company have been granted share options under the CloudPay Inc. Share Option Scheme. There were nil options (2014: 41,808) granted to employees of the company during the year.

CloudPay Inc. recharges the company for the fair value of the share options granted to employees and management of the company.

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 exercise price of options outstanding at the end of the year was \$5.06 (2014: \$5.06) and their weighted average contractual life was 7.7 years (2014: 9.0 years).

Of the total number of options outstanding at the end of the year, 30,468 (2014: 15,116) had vested and were exercisable.

(21) Related party transactions

K Paterson, a shareholder of the ultimate parent undertaking, is a trustee of Patersons Retirement Benefit Scheme. Rent on a property leased by the company amounting to £11,220 (2014: £45,000) was paid to The Woodford Partnership, in which Patersons Retirement Benefit Scheme has a 50% interest. The company ceased its tenancy of this property during the year.

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 previously occupied in the year. Rent on this property leased by the company amounting to £9,972 (2014: £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. The company ceased its tenancy of this property during the year.

CloudPay United Kingdom Limited

Notes to the financial statements

(22) Related party transactions (*continued*)

E Barnes, a shareholder of the ultimate parent undertaking, is Managing Director of BJIC Ltd. During the period there was a charge to the profit and loss account of £90,462 (2014: £29,814) in relation to various insurance policies brokered by BJIC Ltd on behalf of the group with third party insurers. BJIC Ltd does not directly receive a brokerage fee from the Group.

During the year an interest free loan of £32,000 (2014: £63,000) was made to A Pearson. At the year end, £95,000 (2014: £63,000) remains outstanding and is included within debtors. After the year end, a repayment of £43,000 was received from A Pearson.

(23) 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.

(24) First time adoption of FRS 102

	Note	Equity as at 1 January 2014 £	Loss for year ended 31 December 2014 £	Equity as at 31 December 2014 £
As previously stated under former UK GAAP		(3,692,066)	(3,116,246)	(6,808,312)
Prior year adjustment	a	-	(481,842)	(481,842)
As restated under former UK GAAP and as stated in accordance with FRS102		(3,692,066)	(3,598,088)	(7,290,154)

Explanations of changes to previously reported profit and equity

- An error was identified in the financial statements as previously issued for the year ended 31 December 2014. In the prior year all outstanding options (both vested and unvested) issued to employees of the company were re-priced to reflect their change in value.

The share based payment credit in the prior year of £411,889 was incorrectly calculated using fair values as at the grant date rather than at the date of modification, which resulted in the loss for the year ended 31 December 2014 being understated by £481,842 and amounts owed to group companies and equity being understated by £481,842.

As this is the first year of application of FRS 102 the correction of the error is shown in the transition reconciliation above, separately identified under the previous UK GAAP.

If this was not the first year of application of FRS 102, the correction and change would have been highlighted in the statement of changes in equity and all comparative titles would have been stated as 'restated'.