

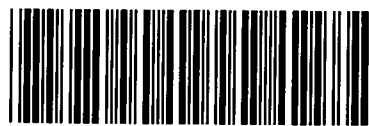
CloudPay United Kingdom Limited

Annual Report and Financial Statements

12 months ended 31 December 2013

Registered number: 03579805

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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
Profit and loss account.....	8
Statement of total recognised gains and losses.....	9
Balance sheet.....	10
Notes to the financial statements.....	11-20

Company information

Directors

P Bartlett

C Keil (resigned 20th February 2014)

P Wack (resigned 29th April 2014)

A Pearson

Company secretary

A Pearson

Registered office

1 & 2 The Woodford Centre

Lysander Way

Old Sarum

Salisbury

Wiltshire

SP4 6BU

England

Registered number

03579805

Independent auditors

BDO LLP

Chartered Accounts and Statutory Auditors

Arcadia House

Maritime Walk

Ocean Village

Southampton

SO14 3TL

Strategic report

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2013.

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 2013.

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 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).

The directors believe that the funding currently available to the group will be adequate for both the group and the company to enable 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.

Liquidity risk

The company has received written undertakings from its parent and other Group companies that they will not demand repayment of the £24,082,598 (note 12) owed to them for a period of at least a year from the date of the approval of these financial statements.

Strategic report

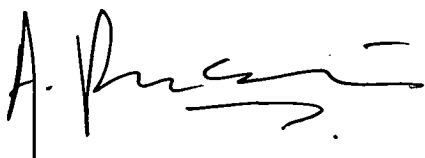
Interest rate cash flow risk

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 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 handwritten signature in black ink, appearing to read 'A. Pearson', with a stylized flourish at the end.

A Pearson
Secretary

Date: 26 September 2014

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

Overseas subsidiaries and branch

The financial statements include the results of the company's French branch for the year ended 31 December 2013.

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 (2012: £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 2013 (31 Dec 2012: 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 (2012: £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.

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

Directors' report

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.

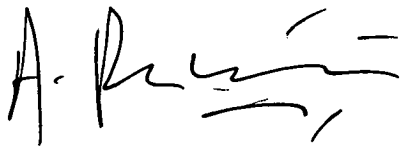
Disclosure of information to auditors

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: 26 September 2014

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 2013 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 3 and 4, 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 2013 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

26 September

2014

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 2013 £	Year ended 31 Dec 2012 £
Turnover	1, 2	5,569,990	6,322,044
Cost of sales		(4,566,616)	(5,099,118)
Gross profit		1,003,374	1,222,926
Administrative expenses		(2,453,620)	(2,860,267)
Operating loss	5	(1,450,246)	(1,637,341)
Other interest receivable and similar income	6	1	361
Interest payable and similar charges	6	(521)	(17,252)
Loss on ordinary activities before taxation		(1,450,766)	(1,654,232)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	18	(1,450,766)	(1,654,232)

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 20 form an integral part of these financial statements.

Statement of total recognised gains and losses

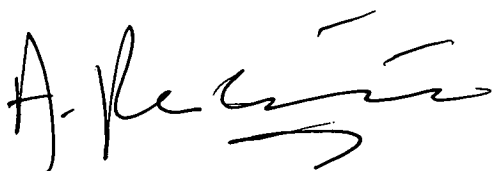
		Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Loss for the financial year	18	(1,450,766)	(1,654,232)
Currency translation differences on foreign currency net investments	18	(23,448)	40,752
Total losses relating to the year		(1,474,214)	(1,613,480)

The notes on pages 11 to 20 form an integral part of these financial statements.

Balance sheet

	Note	31 Dec 2013 £	31 Dec 2012 £
Fixed assets			
Investments	8	88,830	88,830
Tangible assets	9	591,716	576,340
		<u>680,546</u>	<u>665,170</u>
Current assets			
Debtors	10	22,020,813	19,991,982
Cash at bank and in hand		297,374	99,774
		<u>22,318,187</u>	<u>20,091,756</u>
Creditors: amounts falling due within one year	11	<u>(2,084,883)</u>	<u>(1,877,041)</u>
Net current assets		<u>20,233,304</u>	<u>18,214,715</u>
Total assets less current liabilities		<u>20,913,850</u>	<u>18,879,885</u>
Creditors: amounts falling due after more than one year	12	(24,605,916)	(21,097,737)
Net liabilities		<u>(3,692,066)</u>	<u>(2,217,852)</u>
Capital and reserves			
Called up share capital	17	2,384	2,384
Profit and loss account	18	(6,693,066)	(5,218,852)
Share premium account	18	2,998,616	2,998,616
Total shareholders' deficit	19	<u>(3,692,066)</u>	<u>(2,217,852)</u>

The financial statements on pages 8 to 20 were approved by the Board of Directors on 26 September 2014 and were signed on its behalf by:



A Pearson
Director

Registered number: 03579805

Notes to the financial statements

(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 £1,450,766 (2012: £1,654,232) and has been reliant on the continued financial support of its fellow group undertakings. The company had net current assets of £20,233,304 (2012: £18,214,715) and net liabilities of £3,692,066 (2012: £2,217,852) 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 £24,082,598 as at 31 December 2013 (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.

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.

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.

Notes to the financial statements

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

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.

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.

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 2013 £	Year ended 31 Dec 2012 £
United Kingdom	5,501,270	6,257,880
Europe	68,720	64,164
	5,569,990	6,322,044

(3) Staff costs

The average monthly number of staff employed by the company (including executive directors) during the year was 65 (2012: 66). Staff costs for these individuals are shown below:

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Wages and salaries	2,624,339	2,626,889
Social security costs	391,009	362,780
Pension costs	32,873	39,304
Staff costs excluding share-based payment	3,048,221	3,028,973
Share-based payment re-charge	56,577	92,742
Total staff costs	3,104,798	3,121,715

(4) Directors' emoluments

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Aggregate emoluments	159,384	159,148
	159,384	159,148

(5) Operating loss

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Operating loss is stated after charging:		
Depreciation: owned assets	59,574	66,490
Depreciation: assets held under finance leases	-	3,651
Auditors' remuneration: audit services	65,507	70,799
Loss on disposal of fixed assets	15,302	-
Operating lease charges: Land and buildings	158,934	204,691
Operating lease charges: Plant and machinery	36,160	40,884
Share-based payment re-charge	56,577	92,742
Foreign exchange (gain)/loss	(497,051)	(283,501)

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 2013 £	Year ended 31 Dec 2012 £
Bank interest payable	-	(2,110)
Interest element of finance lease repayments	(19)	(251)
Other interest payable	(502)	(14,891)
	<u>(521)</u>	<u>(17,252)</u>
Bank interest receivable	1	361
Net interest	<u>(520)</u>	<u>(16,891)</u>

(7) Tax on loss on ordinary activities

Analysis of tax charge for the year:

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
Origination and reversal of timing differences (note 16)	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

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 2013 £	Year ended 31 Dec 2012 £
Loss on ordinary activities before taxation	(1,450,766)	(1,654,232)
Loss on ordinary activities multiplied by the standard rate of tax in the UK of 23.25% (2012: 20%)	(337,253)	(330,846)
Effects of:		
Expenses not allowable for tax purposes	57,076	23,199
Depreciation in excess of capital allowances	(11,484)	7,494
Unutilised tax losses	291,661	288,753
Other timing differences	-	11,400
Total current tax	<u>-</u>	<u>-</u>

Notes to the financial statements

(8) Investments in subsidiary companies

	£
Cost	
At 1 January 2013	88,830
Additions during the year	-
At 31 December 2013	88,830

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 2013 £	Loss for the period ended 31 Dec 2013 £
CloudPay Software Service (Shanghai) Limited	China	100%	(68,562)	(102,162)
CloudPay Italy srl	Italy	100%	(26,001)	(26,277)

(9) Tangible assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost:			
At 1 January 2013	630,282	827,650	1,457,932
Additions	-	89,171	89,171
Disposals	(50,984)	-	(50,984)
Foreign exchange differences	2,792	613	3,405
At 31 December 2013	582,090	917,434	1,499,524
Amortisation:			
At 1 January 2013	(115,907)	(765,685)	(881,592)
Charge for the period	(25,977)	(33,597)	(59,574)
Disposals	35,682	-	35,682
Foreign exchange differences	(1,890)	(434)	(2,324)
At 31 December 2013	(108,092)	(799,716)	(907,808)
Net book value:			
At 31 December 2013	473,998	117,718	591,716
At 31 December 2012	514,375	61,965	576,340

The net book value of tangible fixed assets includes assets held under finance leases as follows:

	31 Dec 2013 £	31 Dec 2012 £
Net book value		
Plant and machinery	-	-

Notes to the financial statements

(10) Debtors

	31 Dec 2013 £	31 Dec 2012 £
Trade debtors	972,434	819,254
Amounts owed by group companies	19,876,345	18,365,502
Other debtors	42,097	20,627
Prepayments, accrued income	1,129,937	786,599
	22,020,813	19,991,982

Prepayments and accrued income include deferred costs totalling £619,818 (2012: £539,882) relating to customer contracts which are expected to be recognised in the profit and loss account as follows:

	31 Dec 2013 £	31 Dec 2012 £
Within one year	242,926	176,285
After more than one year	376,892	363,597
	619,818	539,882

(11) Creditors: amounts falling due within one year

	31 Dec 2013 £	31 Dec 2012 £
Bank loans and overdrafts (note 13)	17,695	9,560
Trade creditors	959,352	877,877
Other taxation and social security	221,666	196,944
Obligations under finance leases (note 14)	3,027	6,081
Other creditors	10,738	28,885
Accruals and deferred income	872,405	757,694
	2,084,883	1,877,041

Accruals and deferred income includes £329,912 (2012: £237,016) in respect of deferred income on customer contracts (note 15).

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

	31 Dec 2013 £	31 Dec 2012 £
Bank loans (note 13)	-	-
Amounts owed to group companies	24,082,598	20,605,164
Obligations under finance leases (note 14)	-	-
Deferred income (note 15)	523,318	492,573
	24,605,916	21,097,737

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 2013 £	31 Dec 2012 £
Within one year	17,695	9,560
Between two and five years	-	-
After more than five years	-	-
	17,695	9,560

Notes to the financial statements

(14) Obligations under finance leases

The Company has obligations under finance leases as follows:

	31 Dec 2013 £	31 Dec 2012 £
Within one year	3,027	6,081
Between two and five years	-	-
	<u>3,027</u>	<u>6,081</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 2013 £	31 Dec 2012 £
Within one year	329,912	237,016
Between two and five years	523,318	492,573
After more than five years	-	-
	<u>853,230</u>	<u>729,589</u>

(16) Deferred tax

	31 Dec 2013 £	31 Dec 2012 £
Deferred tax asset at start of the period	-	-
Net movement reflected in the profit and loss account (note 7)	-	-
Deferred tax at end of the period	<u>-</u>	<u>-</u>

At 31 December 2013 there are unrecognised deferred tax balances comprising the following:

	Year ended 31 Dec 2013
Capital allowances in advance of depreciation	-
Short term timing differences	17,348
Unrelieved trading losses	<u>1,455,577</u>
	<u>1,472,925</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 2013 £	31 Dec 2012 £
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:	Number	Number
2,384 (2012: 2,384) ordinary shares of £1 each	<u>2,384</u>	<u>2,384</u>

Notes to the financial statements

(18) Reserves

	Profit and loss Account £	Share premium account £
At 1 January 2013	(5,218,852)	2,998,616
Loss for the financial year	(1,450,766)	-
Exchange differences taken to reserves	(23,448)	-
At 31 December 2013	(6,693,066)	2,998,616

(19) Reconciliation of movements in shareholders' funds

	£
At 1 January 2013	(2,217,852)
Loss for the financial year	(1,450,766)
Exchange differences taken to reserves	(23,448)
At 31 December 2013	(3,692,066)

(20) Commitments under operating leases

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

	31 Dec 2013 £	31 Dec 2012 £
Plant and machinery		
Within one year	136,252	128,632
Between two and five years	1,152	30,291
	137,404	158,923
Land and buildings		
Within one year	-	54,643
After more than five years	85,000	85,000
	85,000	139,643

(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 £32,873 (2012: £39,304). Included in accruals at 31 December 2013 were £16,478 (2012: £17,793) 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 (2012: £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 (2012: £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 £17,294 (2012: £nil) 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.

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 no options (2012: 300) 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 fair value of options was determined using the Black-Scholes Merton Model and the recharge by CloudPay Inc to the company for the year ended 31 December 2013 was £56,577 (2012: £92,742).

The significant inputs into the model were the deemed share price/exercise price of \$84.15, option lives of 0 to 4 years, standard deviation of expected share price returns of 68%, and annual risk-free interest rate of 1%. 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.

	2013	2013	2012	2012
	Weighted		Weighted	
	average	Number of	average	Number of
	exercise price	shares	exercise price	shares
	US\$		US\$	
Outstanding at 1 January	52.21	15,496	51.65	18,368
Granted during the year	-	-	84.15	320
Exercised during the year	-	-	51.65	(5)
Lapsed during the year	52.18	(280)	52.18	(3,187)
Outstanding at 31 December	52.21	15,216	52.21	15,496

The exercise price of options outstanding at the end of the year ranged between US\$51.65 and US\$84.15 (2012: US\$51.65 to US\$84.15) and their weighted average contractual life was 7.4 years (2012: 8.5).

Of the total number of options outstanding at the end of the year, 11,558 (2012: 8,160) had vested and were exercisable at the end of the year.

(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, Units 1 & 2 The Woodford Centre, Lysander Way, Old Sarum, Salisbury, Wiltshire SP4 6BU.

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.