

Company Number SC 154460

Quadstone Paramics Limited

Directors' Report and Financial Statements

For the year ended 31 December 2015

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Quadstone Paramics Limited

**Directors' Report and Financial Statements
for the Year Ended 31 December 2015**

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Quadstone Paramics Limited
DIRECTORS AND REGISTERED OFFICE

DIRECTORS

G Willsher

R Spielberg (appointed 27th April 2015, resigned 7th July 2015)

M Monahan (resigned 27th April 2015)

COMPANY SECRETARY AND REGISTERED OFFICE

Queensferry Secretaries Limited

Caledonian Exchange

19A Canning Street

Edinburgh

EH3 8HE

DIRECTORS REPORT for the Year Ended 31 December 2015

The Directors present their Report and the audited financial statements of Quadstone Paramics Limited for the Year Ended 31 December 2015.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Company has taken advantage of Section 414B of the Companies Act 2006 not to include a strategic review in these financial statements.

PRINCIPAL ACTIVITY

The Company's principal activity, which remained unchanged throughout the period, was the provision of computer software products and ancillary consultancy and support services relating to road traffic and transportation simulation software. On 1 May 2015 the trade and assets of the Company were transferred to another group company and it is the intention of management to liquidate the company during the financial year ended 31 December 2016.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £866,000 (2014 £192,000). The Directors recommend the payment of a dividend £3,634,000 (2014: £nil). During the year the company resolved to reduce its share capital by cancelling and extinguishing 28,209,993 Ordinary shares of £0.10 each in the company each of which was fully paid up and the amount by which the share capital was reduced was credited to reserves.

DIRECTORS

The Directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, are shown on page 1.

GOING CONCERN

It is the intention of management to liquidate Quadstone Paramics Limited during the financial year ending 31 December 2016. Accordingly, the going concern basis of accounting is no longer appropriate as at 31 December 2015 and the financial statements have been prepared on a basis other than going concern. The directors have reviewed the financial statements and no adjustments were necessary to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and non-current liabilities as current assets and liabilities. The comparative financial information continues to be prepared on the going concern basis. The accounting policies, which have been applied consistently throughout the year, are set out in note 1 to the financial statements and, where necessary, have been updated to include any policies which are now considered significant given the presentation of the financial statements as at 31 December 2015 on a non-going concern basis.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Directors have the benefit of an indemnity which is a qualifying third party provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

DIRECTORS REPORT for the Year Ended 31 December 2015 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements.

The director is 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

Each of the directors who held office at the date of approval of this report confirm the following:

- a. so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b. each of the Directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



Gerard Willsher

Director

Date: 29 September 2016

Independent auditors' report to the members of Quadstone Paramics Limited

Report on the financial statements

Our opinion

In our opinion, Quadstone Paramics Limited's financial statements (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 profit 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.
-

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the basis of preparation. It is the intention of the directors that the entity will be liquidated in the year ended 31 December 2016. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

What we have audited

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Quadstone Paramics Limited

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

30 September 2016

Quadstone Paramics Limited
Statement of Comprehensive Income
For the Year Ended 31 December 2015

		Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
	Note		
TURNOVER	3	140	439
Cost of sales		<u>-</u>	<u>(5)</u>
GROSS PROFIT		140	434
Distribution costs		(18)	(26)
Administrative expenses		(109)	(227)
Exceptional Items	4	<u>853</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	866	181
Tax on profit on ordinary activities	7	<u>-</u>	<u>11</u>
PROFIT FOR THE FINANCIAL YEAR		<u>866</u>	<u>192</u>
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>866</u>	<u>192</u>

All operations are discontinued.

Quadstone Paramics Limited

BALANCE SHEET As at 31 December 2015

		31 December 2015	31 December 2014
	Note	£'000	£'000
CURRENT ASSETS			
Debtors	8	-	2,768
		<hr/>	<hr/>
NET ASSETS		<hr/> -	<hr/> 2,768
CAPITAL AND RESERVES			
Called up share capital	9	-	2,821
Share premium account		-	30,583
Profit and loss account (deficit)		<hr/> -	<hr/> (30,636)
TOTAL SHAREHOLDERS' FUNDS		<hr/> -	<hr/> 2,768

The financial statements on pages 6 to 11 were approved by the Board of Directors and were signed on its behalf by:



Gerard Willsher
Date : 29 September 2016
Quadstone Paramics Limited
Company Registered Number SC 154460

Quadstone Paramics Limited

**Statement of changes in equity
For the year ended 31 December 2015**

	Called up Share capital £'000	Share Premium account £'000	Profit and loss account £'000	Total Shareholders' funds £'000
At 1 January 2015	2,821	30,583	(30,636)	2,768
Profit for the year	-	-	866	866
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	30,583	(29,770)	3,634
Reduction in Share capital	(2,821)	(30,583)	33,404	-
Dividend Payment	-	-	(3,634)	(3,634)
Total transactions with owners, recognised directly in equity	(2,821)	(30,583)	29,770	(3,634)
At 31 December 2015	-	-	-	-

**Statement of changes in equity
For the year ended 31 December 2014**

	Called up Share capital £'000	Share Premium account £'000	Profit and loss account £'000	Total Shareholders' funds £'000
At 1 January 2014	2,821	30,583	(30,828)	2,576
Profit for the year	-	-	192	192
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	2,821	30,583	(30,636)	2,768
Reduction in Share capital	-	-	-	-
Dividend Payment	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
At 31 December 2014	2,821	30,583	(30,636)	2,768

Quadstone Paramics Limited
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

Quadstone Paramics Limited is a private company limited by shares and is incorporated and domiciled in England. The registered office is Building 5, Trident Place, Hatfield Business Park, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UJ.

The individual financial statements of Portrait Software Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 11.

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

The following principal accounting policies have been applied:

1.2 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 Financial Reporting Standard applicable in the UK and Republic of Ireland" and consent has been obtained from the shareholders in order to take these exemptions:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Pitney Bowes Incorporated as at 31 December 2015 and these financial statements may be obtained from 1 Elmcroft Road, Stamford, CT 06926-0700, US.

Quadstone Paramics Limited
NOTES TO THE FINANCIAL STATEMENTS

1.3 Going concern

It is the intention of management to liquidate Quadstone Paramics Limited during the financial year ending 31 December 2016. Accordingly, the going concern basis of accounting is no longer appropriate as at 31 December 2015 and the financial statements have been prepared on a basis other than going concern. The directors have reviewed the financial statements and no adjustments were necessary to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and non-current liabilities as current assets and liabilities. The comparative financial information continues to be prepared on the going concern basis. The accounting policies, which have been applied consistently throughout the year, are set out in note 1 to the financial statements and, where necessary, have been updated to include any policies which are now considered significant given the presentation of the financial statements as at 31 December 2015 on a non-going concern basis.

1.4 Turnover

Turnover represents revenue recognised in the year net of value added tax.

Licence fees are recognised when there is a binding arrangement with a customer and there is entitlement to consideration based on performance. Royalties and maintenance are recognised in accordance with contract terms on an accruals basis.

Contracts for the supply of services at fixed rates are accounted for as and when the work is performed, irrespective of the contract duration. Revenue on fixed price contracts is taken while the contract is in progress, having regard to the proportion of the contract which has been completed at the balance sheet date. Provision is made for foreseeable losses.

1.5 Foreign currency transactions

Transactions in foreign currencies are translated into Sterling at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Sterling at the year-end rate of exchange. All exchange differences are taken to the profit and loss account.

1.6 Pensions

The Company operates a personal pension scheme on a defined contribution basis. Contributions payable for the year are charged to the profit and loss account. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Quadstone Paramics Limited
NOTES TO THE FINANCIAL STATEMENTS

1.7 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and 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 balance sheet date in the countries where the company operates and generates income.

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

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; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

1.8 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

Quadstone Paramics Limited
NOTES TO THE FINANCIAL STATEMENTS

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgement (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

3 TURNOVER

Throughout the year, turnover was derived from a single class of business, being the provision and maintenance of information technology products and solutions.

Turnover by geographical destination was as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Europe	10	74
USA	39	163
Rest of World	91	202
	<u>140</u>	<u>439</u>

Quadstone Paramics Limited
NOTES TO THE FINANCIAL STATEMENTS

4 EXCEPTIONAL ITEMS

During the year intercompany balances owed to Portrait Software International Inc. of £61,000 and owed by Portrait Software International Limited of £914,000 were forgiven.

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The operating profit is stated after charging:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Research and development	<u>50</u>	<u>157</u>

Auditors remuneration for the year ended 31 December 2015 was borne by Pitney Bowes Software Europe Limited.

6 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Staff costs		
Wages and salaries	60	138
Social security costs	2	13
Other pension costs	<u>4</u>	<u>7</u>
	<u>66</u>	<u>158</u>

The directors during the period were primarily employed by other Pitney Bowes entities and their remuneration has been borne by these other Pitney Bowes entities. (Year 2014: £nil)

As at 1 May 2015 the amount outstanding in respect of pension contributions was £nil.
(2014: £1,103)

The average monthly number of employees during the year was as follows:

	Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
Operational and product development	<u>3</u>	<u>3</u>
	<u>3</u>	<u>3</u>
The total number of employees at the year end was:	<u>3</u>	<u>3</u>

The average number of employees and the number of employees at year end excludes directors.

Quadstone Paramics Limited
NOTES TO THE FINANCIAL STATEMENTS

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax credit on the profit on ordinary activities for the year was as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax	-	(11)
Total tax credit on ordinary activities	-	(11)

The difference between the total current tax credit shown above and the amount calculated by applying the standard rate of UK Corporation tax to the profit before tax is as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Profit on ordinary activities before tax	866	181
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 23.25%)	175	39
Effects of:		
Deferred tax asset not recognised	-	(7)
Expenses not Deductible	26	-
Forgiveness of Intercompany balances	(185)	-
Rate difference	-	(1)
Group relief not paid at standard rate of tax	(16)	(39)
Other differences	-	8
Prior year adjustments	-	(11)
Current tax for the year	-	(11)

The tax charge in future periods will be principally affected by the company's ability to generate taxable profits. As at 31 December 2015 there were estimated tax losses in the UK of £205,551 (2014: £1,141,949). No deferred tax assets have been recognised in the current or preceding financial years. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in the financial statements.

Quadstone Paramics Limited
NOTES TO THE FINANCIAL STATEMENTS

8. DEBTORS

	31 December 2015 £'000	31 December 2014 £'000
Amounts owed by group undertakings	-	2,768
	-	2,768

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	Year ended 31 December £'000	31 December 2014 £'000
10 (2014: 28,210,003)	Ordinary	10p	-	2,821
Called up share capital			-	2,821

During the year the company resolved to reduce its share capital by cancelling and extinguishing 28,209,993 Ordinary shares of £0.10 each in the company each of which was fully paid up and the amount by which the share capital was reduced was credited to reserves.

10. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Portrait Software Limited, a company registered in England and Wales. The ultimate parent undertaking and controlling party is Pitney Bowes Inc., a company incorporated in the USA. Pitney Bowes Inc. is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2015. The consolidated financial statements of Pitney Bowes Inc. are publicly available and can be obtained from 1 Elmcroft Road, Stamford, CT 06926-0700 US.

11. FIRST TIME ADOPTION OF FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. There are no changes to accounting policies affecting profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 as a result of the conversion between UK GAAP previously reported and FRS 102.