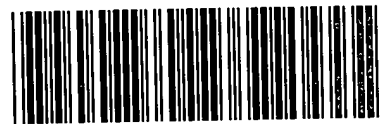


Clearswift Limited

Report and Financial Statements

31 March 2015

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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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Clearswift Limited

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Leuw
H Davies
A Balchin
D England
G Bunker
D Thrower
N Newport
J Summons
M Shipka
C Rafferty

REGISTERED OFFICE

1310 Waterside
Arlington Business Park
Theale
Reading
Berkshire
RG7 4SA

AUDITOR

Deloitte LLP
Reading, UK

STRATEGIC REPORT

The directors present their Strategic Report and the affairs of the Company for the year ended 31 March 2015.

Cautionary statement: this Strategic Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed. The Strategic Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

STRATEGIC REVIEW

The Group develops and delivers adaptive cyber security solutions that enable licensed users to unlock the power of digital communication and collaboration safely, confidently and without risk. Clearswift sells highly sophisticated content-aware, policy-based, integrated solutions which enable organisations to manage and maintain their critical information across internal and external email, web, and endpoints. Clearswift's solutions are particularly strong on protecting critical information and with its next generation adaptive data loss prevention technology, incorporating its unique Adaptive Redaction functionality, makes it uniquely placed compared to its competitors. Many of Clearswift's clients have been using its solutions in excess of 10 years.

Clearswift's products are simple to deploy, manage and maintain and are designed to help organisations enforce best-practice critical information protection, ensuring that all communication through email, web and the endpoint complies with internal policy and external regulations. The Group develops, markets and sells eight main products these are: SECURE Email Gateway, SECURE Exchange Gateway, ARGON for Email, SECURE Web Gateway, SECURE ICAP Gateway, Critical Information Protection (Management Server and Agent), Information Governance Server and MIMESweeper for SMTP.

The results of the Company for the year are presented on page 8.

The directors use a number of measures to monitor and benchmark the performance of the Company. They include new business growth, client retention, gross profit margin and management of administrative and distribution costs.

All comparisons presented below are from continuing operations.

Turnover for the year was £21,251k (2014: £20,242k), this generated a gross profit of £13,525k (2014: £13,550k). Administrative and distribution costs were £11,712k (2014: £11,355k).

The Company continued to make significant investment in its products and during the year a total of £3,650k (2014: £3,737k) was invested into research and development activities. The Company believes that investment in product development is essential to its long-term success, and intends to continue to invest in this manner. Administrative expenses also include amortisation of intangible fixed assets including goodwill of £324k (2014: £68k).

Total Bookings have increased by 7% versus prior year. Client retention is a key measurement of client satisfaction and the directors are pleased to report that the rate at which clients renew their contracts exceeds 97% (2014:90%) in terms of pounds received.

The profit before tax for the year was £1,968k (2014: £8,228k).

STRATEGIC REPORT

STRATEGIC REVIEW (CONTINUED)

The profit for the year has been impacted by the following:

Research and development:- The directors remain committed to investment in Research and Development while ensuring that the sales and marketing groups are structured in such a way to take advantage of geographic growth, channel strategy and vertical competencies. The Group continues to provide an effective 24 x 7 global support function. New product releases during the year led to receiving analyst recognition and multiple awards for products and innovation. The SECURE ICAP Gateway which was certified on the Blue Coat ProxySG platform last year is currently being certified on the F5 networks platform at the request of partners and clients who are already using the solution.

Clearswift has a strong M&A programme, and has spent the past 12 months integrating the two previous acquisitions into the core product set. The new endpoint DLP solution (Critical Information Protection Server and Agent), released in May 2014 as a result of one of the acquisitions, was updated in December 2014 to offer information discovery (DLP for data-at-rest) which rounds out the Clearswift Adaptive DLP solution set. In this strong growth market it has the added uniqueness of Adaptive Redaction which was augmented during the year to support Open Office.

This year we launched ARgon for Email Appliance. This is a new product which enables our unique Adaptive Redaction functionality to be easily used with any third party email gateway or other DLP solution, augmenting existing infrastructure to protect against next generation information borne threats. The product was developed in conjunction with Clearswift's focus partners in order to open up new market and revenue opportunities. Further variants of the existing Gateway products are planned to increase the ARgon product range.

Further details are available from the website www.clearswift.com.

Future prospects:- The directors are satisfied with the trading results for the year and with the financial position of the Company, and Group, at the year end. The directors are confident of the future prospects of the Company and wider Group as regards organic growth. The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year. The Board are, however, open to the possibility of further business acquisitions which would beneficially impact and enhance the above-mentioned key performance indicators. There is therefore the additional chance of inorganic growth through acquisition. Furthermore, strategic alliances are being forged with partners in the cyber security market-place to extend the reach of the existing reseller and distributor network.

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, after considering the current uncertain economic environment. The Company net liabilities are shown as £9,282k, although it is noted that this balance sheet includes deferred income from advance payments from clients of £14,135k which is not a cash liability for the Company. The directors have undertaken a review of the future financing requirements for the ongoing operation of the Company, and wider Group, and are satisfied that sufficient cash facilities are secured to meet its working capital requirement for at least 12 months from the date of signing of these financial statements. Thus, the Company continues to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider the principal risks to the business to be the securing of a suitable level of new licence sales, suitable level of renewals, sufficient funding and cash resources. The main financial risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks. These policies have remained unchanged from previous years.

Foreign Currency Risk

The Company makes sales to clients overseas and is therefore exposed to movement in exchange rates. The Company also sources products overseas and therefore minimises the risk of exchange rate fluctuations by operating foreign currency bank accounts.

Liquidity Risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

STRATEGIC REPORT

STRATEGIC REVIEW (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Credit Risk

The Company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit rating agencies. The principal credit risk therefore arises from trade debtors.

In order to manage credit risk the directors set a policy of monitoring exposure, where client exposure levels are reviewed by senior management on a regular basis in conjunction with debt aging and collection history.

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

At Clearswift we recognise our responsibilities as an international business and we aim to set, encourage and sustain high standards of corporate responsibility in everything we do across our operations. We value the impact our brand and behaviour has on our surrounding community; we actively engage in activities that aim to improve standards for people and the environment.

Clearswift's policy is to follow the principles set out by ISO 14001, namely:-

- An environmental policy supported by top management.
- Environmental goals, objectives and targets that support that policy.
- Defined roles and responsibilities.
- An environmental management process.
- A process for communicating the environmental management process to all interested parties via website or for enquirers.
- A process of auditing progress and taking corrective action.

Further details are available on our website www.clearswift.com concerning our policy and achievements towards managing the environmental impact, recycling, reducing carbon footprint and reducing power consumption. In addition there are employee-led initiatives and Clearswift sponsored activities which aim to give something back to the regions in which we operate as a business.

Clearswift has a team of employees that actively encourage participation in initiatives including but not limited to fund raising for targeted charities, local conservation projects, education and support to local organisations such as schools.

On behalf of the Board



A Balchin
Director
25 September 2015

Company registration number: 03367495

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors report, for the year ended 31 March 2015.

An indication of likely future developments in the business of the Company and details of research and development activities are included in the strategic report.

DIVIDENDS

The directors do not recommend the payment of any dividend for the year (2014: £nil).

DIRECTORS

The current directors are shown on page 1. C Rafferty and M Shipka were appointed on 10 April 2014.

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made and remain in force at the date of this report.

AUDITOR

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP were re-appointed as auditor during the year. They have expressed their willingness to continue in office, and will be deemed re-appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under Section 488(1) of the Companies Act 2006.

On behalf of the Board



A Balchin
Director
25 September 2015

Company registration number: 03367495

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 and 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 judgments and estimates that are reasonable and prudent; and
- 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 to 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEARSWIFT LIMITED

We have audited the financial statements of Clearswift Limited for the year ended 31 March 2015 which comprise the profit and loss account, the balance sheet and the related notes 1 to 24. 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).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of financial statements

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. 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.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 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.


Opinion on matters prescribed in the Companies Act 2006

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

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.



Anna Marks FCA (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom 25 September 2015

PROFIT AND LOSS ACCOUNT
For year ended 31 March 2015

	Note	2015 £'000	2014 £'000
TURNOVER	2	21,251	20,242
Cost of sales		(7,726)	(6,692)
GROSS PROFIT		13,525	13,550
Operating expenses		(11,712)	(11,355)
Research & Development tax credit		156	162
Release of provision against inter-company receivables	3	-	6,249
OPERATING PROFIT		1,969	8,606
Interest receivable and similar income	4	350	16
Interest payable and similar charges	5	(351)	(394)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,968	8,228
Tax credit(charge) on profit on ordinary activities	8	246	(248)
RETAINED PROFIT FOR THE YEAR	19	2,214	7,980

All activities of the Company are classed as continuing.

There are no recognised gains or losses other than the profit for the year. Accordingly, no statement of total recognised gains and losses has been presented.

The accompanying accounting policies and notes form part of these financial statements

BALANCE SHEET
31 March 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Intangible fixed assets – Software licenses, IPR and other	9	374	860
Intangible fixed assets - Goodwill	9	177	232
Tangible fixed assets	10	565	396
		<u>1,116</u>	<u>1,488</u>
CURRENT ASSETS			
Stock	11	6	27
Debtors			
- due within one year	12	6,464	5,451
- due in more than one year	12	8,706	9,276
Cash at bank and in hand		4,286	3,207
		<u>19,462</u>	<u>17,961</u>
CREDITORS: amounts falling due within one year	13	<u>(1,053)</u>	<u>(1,367)</u>
NET CURRENT ASSETS		<u>18,409</u>	<u>16,594</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		19,525	18,082
PROVISION FOR LIABILITIES	18	(244)	(658)
ACCRUALS AND DEFERRED INCOME	14	<u>(15,999)</u>	<u>(15,782)</u>
NET ASSETS BEFORE LONG TERM LIABILITIES		<u>3,282</u>	<u>1,642</u>
FINANCED BY:			
CREDITORS: amounts falling due after more than one year	15	12,564	13,138
CAPITAL AND RESERVES			
Called-up share capital	17	15,115	15,115
Merger reserve	19	(16,170)	(16,170)
Profit and loss account	19	<u>(8,227)</u>	<u>(10,441)</u>
SHAREHOLDER'S DEFICIT	19	<u>(9,282)</u>	<u>(11,496)</u>
		<u>3,282</u>	<u>1,642</u>

These financial statements of Clearswift Limited, registered number 03367495, were approved and authorised for issue by the Board of Directors on 25 September 2015 and signed on their behalf by


A Balchin
Director

The accompanying accounting policies and notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies adopted by the directors is set out below. These have been applied consistently throughout the current and preceding year. The directors consider that they remain the most appropriate for the Company.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going Concern

The financial statements have been prepared under the going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, after considering the current uncertain economic environment. The Company net liabilities are shown as £9,282k, although it is noted that this balance sheet includes deferred income from advance payments from clients of £14,135k which is not a cash liability for the Company. The directors have undertaken a review of the future financing requirements for the ongoing operation of the Company, and wider Group, and are satisfied that sufficient cash facilities are secured to meet its working capital requirement for at least 12 months from the date of signing of these financial statements. Thus, the Company continues to adopt the going concern basis in preparing the financial statements.

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement as permitted by Financial Reporting Standard No.1 (Revised 1996) as the Company's results are included in the consolidated financial statements of Clearswift Group Limited which are publicly available (see note 25).

Intangible fixed assets

On the acquisition of a business, fair values are attributed to the separable net assets acquired, including intangible assets such as Intellectual Property Rights. Goodwill arises where the fair value of the consideration paid for the business exceeds the fair value of the total separable net assets acquired.

Positive goodwill is capitalised and classified as an asset on the balance sheet and reviewed for impairment annually. Provision is made for any impairment. The purchased goodwill is being amortised over its useful economic life of 3 years.

Purchased intangible assets are capitalised, classified as assets on the balance sheet and amortised on a straight-line basis over their estimated economic life of one to three years. No value is attributed to internally generated intangible assets.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	over period of lease
Computer equipment	straight-line over 3 years
Office equipment and furniture	straight-line over 5 years

Residual value is calculated on prices prevailing at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Revenue recognition

Revenue represents the amount derived from clients for goods and services provided, excluding value added tax.

Sales of software products are recognised when no significant vendor obligations remain with the exception of own product term licence and support agreements, which are deferred and recognised over the period of the agreements. Additionally, the Company provides licences on a subscription basis, which are deferred and recognised over the period of the subscription.

The Company also provides implementation and post-contract support services for certain of these software products. When the implementation services offered by the Company in respect of these arrangements are not essential to the functionality of the software, can be performed by other suppliers, and are described in the arrangement such that the total price of the arrangement would be expected to vary as the result of the inclusion or exclusion of these services, these services are accounted for as a separate element of the arrangement and the associated revenue is recognised as the service is performed.

Where the Company sells software which includes a significant element of client specific development and the service portion cannot be separated from the contract as a whole, the entire arrangement including the software component is accounted for as a long-term contract. Revenue is recognised using the percentage of completion method.

Revenues related to significant post-contract support agreements are deferred and recognised on a straight-line basis over the period of the agreements.

Pensions

The Company contributes to defined contribution pension schemes for the benefit of its employees. The assets of the schemes are held separately to those of the Company in independently managed funds. Contributions are charged to the profit and loss account in the period in which they are incurred.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency

Transactions in foreign currencies are translated into sterling at an average monthly exchange rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Leases

Rentals under operating leases where substantially all the risks and rewards of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the period of the lease.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as fixed assets and depreciated over the shorter of the lease time and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant charge on the balance of capital repayments outstanding.

Financial instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

2. TURNOVER

Turnover relates to continuing operations of the Company and originated in the United Kingdom. An analysis of turnover by geographical market by destination is given below:

	2015 £'000	2014 £'000
United Kingdom	7,112	6,882
Rest of Europe	7,974	7,894
Other	6,165	5,466
	<u>21,251</u>	<u>20,242</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2015 £'000	2014 £'000
Auditor's remuneration:		
- Audit services	45	45
- Non-audit services (taxation advisory)	31	15
- Non-audit services (taxation compliance)	22	22
- Non-audit services (business acquisitions)	54	13
Depreciation of tangible fixed assets – owned	244	309
Amortisation of intangible fixed assets	285	57
Amortisation of goodwill	39	11
Loss on disposal of tangible fixed assets	5	-
Operating lease rentals:		
- other	388	366
- plant and machinery	3	2
Research and development expenditure	3,650	3,737
Research and development tax credit	(156)	(162)
Foreign exchange net gains	(89)	(240)
Management charges payable (net)	653	484
Release of provision against inter-company receivable (see below)	-	(6,249)
Exceptional costs comprising redundancy, related legal costs and IT restructure	149	-

Inter-company provision

The Company has not booked any movement of provision in the year ended 31 March 2015 (2014: release £6,249k) against its inter-company debtors. Management perform annual reviews of inter-company debt provisions in order to report the debtor balance at the amount believed to be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £'000	2014 £'000
Interest receivable from group undertakings	347	12
Bank interest receivable	3	4
	<u>350</u>	<u>16</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Interest payable to group undertakings	339	368
Other interest payable and similar charges	12	26
	<u>351</u>	<u>394</u>

6. DIRECTORS' REMUNERATION

The directors received no remuneration from the Company during the year ended 31 March 2015 (2014: £nil). Directors' remuneration regarding services to the wider group totalling £597k (2014: £549k) were incurred and disclosed in the group accounts of Clearswift Group Limited.

7. STAFF COSTS

	2015 £'000	2014 £'000
Wages and salaries	6,208	5,534
Social security costs	689	647
Other pension costs	230	184
	<u>7,127</u>	<u>6,365</u>

Pension contributions outstanding at the balance sheet date are £21,238 (2014: £18,957).

The average number of employees (including directors) of the Company during the year was:

	2015 Number	2014 Number
General and administration	17	18
Technical	74	68
Sales and marketing	26	19
	<u>117</u>	<u>105</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax on profit on ordinary activities

	2015	2014
	£'000	£'000
<i>Current tax:</i>		
Adjustments in respect to prior periods	-	-
R&D tax credit no longer repayable	-	-
R&D tax credit (Above The Line) tax charge	33	37
	<hr/>	<hr/>
Total current tax charge for the year	33	37
<i>Deferred tax:</i>		
Origination of timing differences (note 16)	(279)	211
	<hr/>	<hr/>
Total tax (credit)/charge on profit on ordinary activities	<u>(246)</u>	<u>248</u>

The differences between the total current tax and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2015	2014
	£'000	£'000
Profit on ordinary activities before taxation	1,968	8,228
	<hr/>	<hr/>
Tax charge at 21% (2014: 23%) thereon	413	1,892
Effects of:		
Expenses not deductible for tax purposes	7	10
Depreciation in excess of capital allowances	8	71
Movement in short-term timing differences	1	(1)
R&D tax charge	33	37
Income not taxable for tax purposes	-	(1,437)
Utilisation of losses	(429)	(447)
Unrelieved tax losses	-	(88)
	<hr/>	<hr/>
Current tax charge for the year	<u>33</u>	<u>37</u>

(a) Factors that may affect future tax charges

The Company has recognised a deferred tax asset of £1,335k (2014: £1,056k) in relation to historical tax losses, which the directors believe to be recoverable as suitable taxable profits are forecast to be generated in future periods.

An unrecognised deferred tax asset remains in respect of timing differences relating to capital allowances and other short term timing differences of £1,061k (2014: £1,831k). The directors have chosen not to recognise this asset as there is insufficient evidence that suitable taxable profits will be generated in the near future against which this asset can be offset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

9. INTANGIBLE FIXED ASSETS

	Licenses	IPR	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2014	185	768	232	1,185
Additions	55	-	-	55
Reduced fair value of deferred consideration	-	(267)	(5)	(272)
At 31 March 2015	240	501	227	968
Amortisation				
At 1 April 2014	82	-	11	93
Charge for the year	72	213	39	324
At 31 March 2015	154	213	50	417
Net book values				
At 31 March 2015	86	288	177	551
At 31 March 2014	103	757	232	1,092

10. TANGIBLE FIXED ASSETS

	Office equipment and furniture	Computer equipment	Leasehold Improvements	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2014	309	2,418	423	3,150
Additions	7	202	212	421
Disposals	(214)	(1,529)	-	(1,743)
At 31 March 2015	102	1,091	635	1,828
Depreciation				
At 1 April 2014	305	2,068	381	2,754
Charge for the year	2	209	33	244
Disposals	(212)	(1,523)	-	(1,735)
At 31 March 2015	95	754	414	1,263
Net book value				
At 31 March 2015	7	337	221	565
At 31 March 2014	4	350	42	396

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

11. STOCK

	2015	2014
	£'000	£'000
Finished goods and goods for resale	<u>6</u>	<u>27</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

12. DEBTORS

Due within one year	2015	2014
	£'000	£'000
Trade debtors	3,127	2,378
Other debtors	32	27
Corporation tax	248	125
Prepayments and accrued income	1,722	1,865
Deferred tax (note 16)	1,335	1,056
	<u>6,464</u>	<u>5,451</u>

Due in more than one year

	2015	2014
	£'000	£'000
Amounts owed by fellow group undertakings	<u>8,706</u>	<u>9,276</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£'000	£'000
Trade creditors	366	584
Amounts owed to fellow group undertakings	115	302
Other taxation and social security	515	386
Other creditors	57	95
	<u>1,053</u>	<u>1,367</u>

Amounts owed to fellow group undertakings are repayable on demand and interest free.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

14. ACCRUALS AND DEFERRED INCOME

	2015 £'000	2014 £'000
Accruals	1,864	1,379
Deferred income	14,135	14,403
	<u>15,999</u>	<u>15,782</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
Amounts owed to parent undertaking	11,195	12,065
Amounts owed to group undertakings	1,369	1,073
	<u>12,564</u>	<u>13,138</u>

Amounts owed to parent and group undertakings are not planned to be settled within one year and therefore bear interest at 2% p.a. above National Westminster base rate.

16. DEFERRED TAXATION

	2015 £'000	2014 £'000
The movement in the deferred taxation asset during the year was		
Asset brought forward	1,056	1,267
Profit and loss account movement arising during the year	279	(211)
Asset carried forward	<u>1,335</u>	<u>1,056</u>
The deferred taxation asset consists of the tax effect of timing differences in respect of		
Tax losses	<u>1,335</u>	<u>1,056</u>

17. CALLED-UP SHARE CAPITAL

	2015 £'000	2014 £'000
Authorised		
30,000,000 ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
Called up, allotted and fully paid		
15,114,616 ordinary shares of £1 each	<u>15,115</u>	<u>15,115</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2015

18. PROVISIONS

	Deferred consideration £'000	Property £'000	Total 2015 £'000	Total 2014 £'000
At 1 April 2014	435	223	658	201
Provision for dilapidation costs on property	-	7	7	22
Provision utilised	(149)		(149)	-
Deferred consideration (release)/provision	(272)	-	(272)	435
At 31 March 2015	14	230	244	658

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S DEFICIT

	2015 £'000	2014 £'000
Profit for the year	2,214	7,980
Opening shareholder's deficit	(11,496)	(19,476)
Closing shareholder's deficit	(9,282)	(11,496)

RESERVES

	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2014	(16,170)	(10,441)	(26,611)
Profit for the year	-	2,214	2,214
At 31 March 2015	(16,170)	(8,227)	(24,397)

20. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2015 £'000	2014 £'000
Operating lease which expire: - in two to five years	388	388

22. CAPITAL COMMITMENTS

The Company had no capital commitments as at 31 March 2015 (2014: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 March 2015

23. RELATED PARTY TRANSACTIONS

In accordance with the exemption afforded by Financial Reporting Standard No. 8 "Related Party Disclosures", transactions with other wholly-owned group undertakings within, and investee related parties of, the Clearswift Group Limited group have not been disclosed in these financial statements.

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is part of a Trading group headed by Clearswift Group Limited (08012246) for which group financial statements have been drawn up including the results of the Company and can be obtained from the Chief Finance Officer, 1310 Waterside, Arlington Business Park, Theale, Reading RG7 4SA.

The directors consider Newincco 1130 Limited to be the ultimate parent undertaking of the Company. The majority shareholder of Newincco 1130 Limited is Lyceum Capital Fund II, an investment fund managed by Lyceum Capital Partners LLP thus the ultimate controlling party of the Group.

Newincco 1130 Limited and its indirect wholly-owned subsidiary, Clearswift Group Limited, head the groups for which group financial statements have been drawn up including the results of the Company. Both are incorporated in the United Kingdom and copies of these group financial statements can be obtained from Companies House.