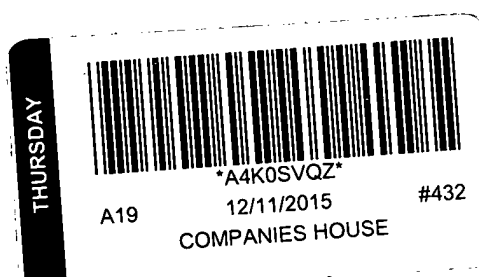


**Arkadin (UK) Limited**

**Report and Financial Statements**

**31 December 2014**



# **Arkadin (UK) Limited**

## **REPORT AND FINANCIAL STATEMENTS 2014**

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# **Arkadin (UK) Limited**

## **REPORT AND FINANCIAL STATEMENTS 2014**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

O De Puymorin  
O De Puymorin Mme  
D Cusk (resigned 31 December 2014)  
C Reyes (appointed 31 December 2014)

#### **SECRETARY**

P Willmott

#### **REGISTERED OFFICE**

3<sup>rd</sup> Floor  
26-28 Hammersmith Grove  
Hammersmith  
London  
W6 7HA

#### **BANKERS**

BNP Paribas  
10 Harewood Avenue  
London  
NW1 6AA

#### **SOLICITORS**

SGH Martineau LLP  
One America Square  
Crosswall  
London  
EC3N 2SG

#### **AUDITOR**

KPMG LLP  
6th Floor  
15 Canada Square  
London  
E14 5GL

## Arkadin (UK) Limited

### STRATEGIC REPORT

The directors present their Strategic report and the affairs of Arkadin (UK) Limited ("Arkadin" or "the Company") for the year ended 31 December 2014.

#### BUSINESS REVIEW

The principal activity of Arkadin is to provide a complete range of integrated audio, web, video and Unified Communications solutions to businesses.

The directors are pleased to report that the profit before tax of the Company for the year ending 31 December 2014 was £1,325,975 (2013: £1,767,071) which they consider to be encouraging in the current economic conditions. The position of the company at the year end is set out in the balance sheet on page 8 and in the related notes on pages 9 - 18.

The Company showed year on year revenue growth of 7.87% although operating profit declined against 2013 due to a challenging and competitive market with falling margins.

#### PRINCIPAL RISKS AND UNCERTAINTIES

Arkadin operates in a competitive market which is a continuing risk to the Company. However, Arkadin manages this risk by constantly developing its services, delivering high quality products to its customers and focusing on careful cost management. The risk of losing key staff is mitigated by performance related incentives and regular personnel reviews.

#### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including cash flow and liquidity risks, as noted below:

##### Cash flow risk

Arkadin mitigates its cash flow risk with careful cash management and forecasting.

##### Credit risk

Arkadin's customers are mostly large blue chip companies, and Arkadin limits its risk exposure by conducting a credit review of potential clients. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) are in place and reviewed regularly. This includes monthly reporting of the Company's results to senior management, during a meeting at which further KPI's such as turnover, gross profit, operating profit and other tax and performance matters are discussed and reviewed.

The Company's key financial and other performance indicators during the year were as follows:

	2014	2013	Change
	£000	£000	%
Turnover	18,013	16,699	7.9%
Gross profit	12,529	11,993	4.5%
Operating profit	1,305	1,744	(25.1)%
Average number of employees	85	80	6.25%

## **Arkadin (UK) Limited**

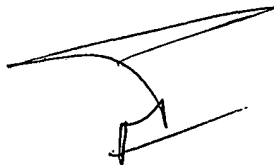
### **STRATEGIC REPORT**

#### **FUTURE DEVELOPMENTS**

Arkadin expects to achieve revenue growth for the upcoming year. Drivers for the growth include the improving economy, continued development of new services and an encouraging sales performance to date.

The directors have not presented a separate analysis of the strategy, objectives and business model of Arkadin as this is disclosed as part of the consolidated financial statements of Arkadin SAS which are publicly available.

Approved by the Board of Directors on 16 October 2015 and signed on behalf of the Board by:

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

Olivier De Puymorin  
Director

3<sup>rd</sup> Floor, 26-28 Hammersmith Grove  
Hammersmith  
London  
W6 7HA

## DIRECTORS REPORT

The directors present their report and financial statements for the year ended 31 December 2014.

### DIVIDENDS AND RESULTS

The directors have declared and paid a final dividend for the year of £1,611,698 (2013: £1,583,678). The Company made a profit after tax of £972,045 during the year ended 31 December 2014 (2013: £1,611,698).

	2014	2013
Dividend per share (£)	16.12	15.84

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is to provide a complete range of integrated audio, web, video and Unified Communications solutions to businesses. The business and financial review are discussed in the strategic report on page 2.

### DIRECTORS

The directors during the year and to the date of this report were as follows:

O Puymorin  
O Puymorin Mme  
D Cusk (resigned 31 December 2014)  
C Reyes (appointed 31 December 2014)

### GOING CONCERN

The current economic conditions are similar to last year and the company's revenues continue to grow. The Company has net assets and net current assets as set out in the balance sheet on page 8. The Company is also strongly profitable, and trading performance to the date of approval of these financial statements has continued to be profitable. The directors have a reasonable expectation that, despite the uncertainty created by the current economic conditions, the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the annual report and accounts.

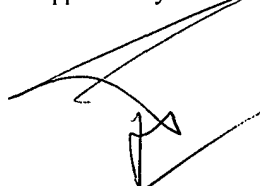
### DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that ought to be taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Approved by the Board of Directors on 16 October 2015 and signed on behalf of the Board by:



Olivier De Puymorin  
Director

3<sup>rd</sup> Floor, 26-28 Hammersmith Grove  
Hammersmith  
London  
W6 7HA

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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 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 judgments 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; 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 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 ARKADIN (UK) LIMITED**

We have audited the financial statements of Arkadin (UK) Limited for the year ended 31 December 2014 set out on page 7-18. 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 set out on page 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.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its 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 other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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.



**John Edwards (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

Date: 29/10/15



# Arkadin (UK) Limited

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2014

	Note	2014 £	(Restated)* 2013 £
<b>TURNOVER</b>	2	18,012,746	16,698,662
Cost of sales		(5,484,002)	(4,705,904)
<b>Gross profit</b>		12,528,744	11,992,758
Administrative expenses		(11,224,112)	(10,249,190)
<b>OPERATING PROFIT</b>		1,304,632	1,743,568
Interest receivable and similar income	6	21,343	23,503
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	7	1,325,975	1,767,071
Tax on profit on ordinary activities	7	(325,471)	(493,700)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,000,504	1,273,371

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

All figures relate to continuing operation.

\* Prior period results have been restated to reflect the share based payment charge. Refer to note 18.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 31 DECEMBER 2014

	2014 £	(Restated)* 2013 £
Profit for the financial year	1,000,504	1,273,371
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	1,000,504	1,273,371
Prior year adjustment (as explained in note 18)	(1,248,650)	
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>	(248,146)	

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

All figures relate to continuing operation.

\* Prior period results have been restated to reflect the share based payment charge. Refer to note 18.

# Arkadin (UK) Limited

## BALANCE SHEET 31 December 2014

	Note	2014 £	2013 £
<b>FIXED ASSETS</b>			
Tangible assets	7	395,942	50,067
<b>CURRENT ASSETS</b>			
Debtors	9	3,367,720	4,861,502
Cash at bank and in hand		97,130	139,197
		3,464,850	5,000,699
<b>CREDITORS: amounts falling due within one year</b>	10	(2,590,358)	(3,339,068)
<b>NET CURRENT ASSETS</b>		874,492	1,661,631
<b>NET ASSETS</b>		1,270,434	1,711,698
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	100,000	100,000
Profit and loss account reserves	12	1,170,434	1,611,698
<b>TOTAL SHAREHOLDER'S FUNDS</b>	13	1,270,434	1,711,698

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 16 October 2015.

Signed on behalf of the Board of Directors by:



Olivier De Puymorin  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2014**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been consistently applied throughout the current and preceding financial years.

**Accounting convention**

The financial statements are prepared under the historical cost convention. The Company has taken exemption from the presentation of a cash flow statement in these financial statements under FRS1.

**Going concern**

The Company has net assets and net current assets as set out in the balance sheet on page 7. The Company is also strongly profitable, and trading performance to the date of approval of these financial statements has continued to be profitable. The directors, therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the annual report and accounts.

**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 useful economic life, as follows:

Fixtures, fittings, tools and equipment	33%
Leasehold improvements	20%

**Taxation**

Current 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

**Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised when the related service is provided to the customer under agreed contractual terms.

**Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

## Arkadin (UK) Limited

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

#### Share Based Payments

For equity-settled share based payments, the fair value of equity instruments (options and shares) is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the equity instruments.

The share option schemes allow employees to acquire shares of the ultimate parent company, Arkadin International SAS. There are no grants to employees of equity instruments in the Company and there is no policy of the ultimate parent company making linked-clearly recharges to the Company for the provision of these equity instruments.

The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

#### 2. TURNOVER

The turnover and pre-tax profit is attributable to one activity, being the provision audio and data conferencing services to businesses. In the opinion of the directors, all such turnover arises with the UK and Ireland.

#### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2014 £	2013 £
Depreciation of owned tangible fixed assets	61,251	47,847
Rentals under operating leases:		
Other operating leases	372,406	408,961
Auditor's remuneration		
Audit fees	25,500	28,000
Taxation	-	19,427
	<u>          </u>	<u>          </u>

No other services were provided to the Company during the year by the Company's auditors which were paid by a related group undertaking.

## Arkadin (UK) Limited

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

#### 4. STAFF NUMBERS AND COSTS

The average monthly number of employees (including executive directors) was:

	2014 No.	2013 No.
Production	25	23
Sales and marketing	22	29
Administration	39	28
	<u>85</u>	<u>80</u>

	2014 £	(Restated)* 2013 £
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	5,589,800	5,135,208
Social security costs	778,347	640,142
Defined pension contributions (see note 17)	110,654	51,091
Share based payments (see note 14)	169,930	338,327
	<u>6,648,731</u>	<u>6,164,768</u>

\* Prior period results have been restated to reflect the share based payment charge. Refer to note 18.

#### 5. DIRECTOR'S REMUNERATION AND TRANSACTION

	2014 £	(Restated)* 2013 £
Directors' emoluments	299,117	259,750
Directors pension contributions	5,307	-
Amounts receivable under long term incentive schemes	28,459	120,102
	<u>332,883</u>	<u>379,852</u>

The Director exercised all the share options during the year (2013: Nil).

\* Prior period results have been restated to reflect the share based payment charge. Refer to note 18.

# Arkadin (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £	2013 £
Interest on amounts due from group companies	<u>21,343</u>	<u>23,722</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### i) Analysis of charge in the year

	2014 £	(Restated)* 2013 £
Current tax		
UK corporation tax on profits for the year	291,054	489,579
Total current tax	<u>291,054</u>	<u>489,579</u>
Deferred tax		
Origination and reversal of timing differences	34,416	2,604
Prior year adjustment	-	1,517
Total deferred tax	<u>34,416</u>	<u>4,121</u>
Total tax on profit on ordinary activities	<u>325,471</u>	<u>493,700</u>

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

	2014 £	2013 £
Profit on ordinary activities before tax	<u>1,325,975</u>	<u>1,767,071</u>
Tax on profit on ordinary activities before tax at the standard UK corporation tax rate of 21.49% (2013: 23.25%)	284,994	410,844
Effects of:		
- Expenses not deductible for tax purposes	43,045	81,779
- Capital allowances in excess of depreciation	(48,353)	868
- Other timing differences	11,368	(3,912)
Current tax charge for the year	<u>291,054</u>	<u>489,579</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2014**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

ii) Deferred taxation

The deferred taxation (liability)/asset represents:

	2014 £	2013 £
Accelerated capital allowances	(38,486)	6,508
Short term timing differences	11,584	1,006
Tax losses carried forward	-	-
	<u>(26,902)</u>	<u>7,514</u>

**Analysis of deferred tax**

The movement on deferred tax is as follows:

	2014 £	2013 £
At 1 January	7,514	11,635
(Charged)/credited to the profit and loss account		
- Origination and reversal of timing differences	(34,416)	(2,604)
- Prior year adjustment	-	(1,517)
	<u>(26,902)</u>	<u>7,514</u>
At 31 December	<u>(26,902)</u>	<u>7,514</u>

There are no un-provided deferred tax assets at the year end which have not been recognised due to uncertainty over the realisation of future profits against which to set the asset. The tax charge in future periods, and the recognition of any deferred tax asset, will be affected by the company's ability to generate taxable profits.

\* Prior period results have been restated to reflect the share based payment charge. Refer to note 18.

# Arkadin (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

### 8. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Fixtures, fittings, tools and equipment £	Total £
<b>Cost</b>			
At 1 January 2013	89,912	405,768	495,680
Additions	322,504	84,623	407,127
	<hr/>	<hr/>	<hr/>
At 31 December 2014	412,416	490,391	902,807
<b>Accumulated depreciation</b>			
At 1 January 2013	89,912	355,701	445,613
Charge for the year	8,494	52,757	61,251
	<hr/>	<hr/>	<hr/>
At 31 December 2014	98,406	408,458	506,864
<b>Net book value</b>			
At 31 December 2014	<hr/> 314,010 <hr/>	<hr/> 81,933 <hr/>	<hr/> 395,943 <hr/>
At 31 December 2013	<hr/> - <hr/>	<hr/> 50,067 <hr/>	<hr/> 50,067 <hr/>

### 9. DEBTORS

	2014 £	2013 £
Trade debtors	2,462,294	2,708,474
Deferred tax asset (see note 7)	-	7,515
Prepayments and accrued income	455,097	578,802
Amounts owed by group undertakings	450,329	1,566,711
	<hr/> 3,367,720 <hr/>	<hr/> 4,861,502 <hr/>

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £	2013 £
Trade creditors	532,098	385,872
Deferred tax liability (see note 7)	26,901	-
Amounts owed to group undertakings	7,671	273,625
Other taxes and social security	425,244	419,021
Corporation tax	216,818	300,485
Accruals and deferred income	1,381,626	1,960,065
	<hr/> 2,590,358 <hr/>	<hr/> 3,339,068 <hr/>



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2014**

**11. CALLED UP SHARE CAPITAL**

	2014	2013
	£	£
<b>Called up, allotted and fully paid</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

**12. PROFIT AND LOSS ACCOUNT RESERVES**

	2014	(Restated)* 2013
	£	£
At 1 January 2013	1,611,698	1,583,678
Profit for the year	1,000,504	1,273,371
Dividends paid	(1,611,698)	(1,583,678)
Share based payments	169,930	338,327
At 31 December 2014	<u>1,170,434</u>	<u>1,611,698</u>

The share based payments of £169,930 (2013: £338,327) is the credit in shareholders' equity to the fair value of equity instruments recognised as an employee expense in the year to 31 December 2013. See Note 14 for further details of share based payment charges.

\* Prior period results have been restated to reflect the share based payment charge. Refer to note 18.

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2014	(Restated)* 2013
	£	£
Opening shareholders' funds (No change as a result of restatement)	1,711,698	1,683,678
Profit for the year	1,000,504	1,273,371
Dividends paid	(1,611,698)	(1,583,678)
Shared based payments	169,930	338,327
Closing shareholders' funds (No change as a result of restatement)	<u>1,270,434</u>	<u>1,711,698</u>

\* Prior period results have been restated to reflect the share based payment charge. Refer to note 18.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2014**

**14. SHARE BASED PAYMENTS**

The company has the following share purchase and incentive plans:

*Share Option plan:*

At the balance sheet date, the Company's ultimate parent company Arkadin International SAS (which is incorporated in France) operated a share option scheme. The scheme permits the grant of share options to employees of the Company for up to 140,000 class B preference shares.

The purpose of the scheme is to provide financial incentives to the directors and employees of the Company whose entrepreneurial and management talents and commitments will contribute to the continued growth and expansion of the Company's business.

Option awards are generally granted with an exercise price equal to the market price of Arkadin International's class A common shares at the date of grant; those option awards vest after 4 years from the date awarded and have a 10 year contractual term. Options provide for accelerated vesting in the event of a total or partial sales (as defined in the scheme). In the event of a total sale and at its sole discretion, the Compensation Committee of Arkadin International SAS' Board of Directors can require the redemption of unexercised options.

Movements in the number of share options outstanding and their related weighted average exercise prices are presented below:

	2014		2013	
	Weighted average exercise prices (€)	No. of share options	Weighted average exercise prices (€)	No. of share options
Outstanding at beginning of the period	73.84	41,503	72.91	41,003
Granted during the period	255.83	11,200	150.00	500
Forfeited during the period	(249.66)	(1,200)	-	-
Exercised during the period	(73.84)	(41,503)	-	-
Expired during the period	-	-	-	-
Outstanding at end of period	256.57	10,000	73.84	41,503
Exercisable at the end of the period	-	-	73.84	41,503

The weighted average share price at the date of exercise of share option exercised during the period was €73.84 (2013: Nil). The options outstanding at the year-end have an exercise price in the range of €249.66 to €272.68.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2014**

**14. SHARE BASED PAYMENTS (CONTINUED)**

The inputs into the Black-Scholes Option Pricing Model are as follows:

	31 December 2014	31 December 2013
Weighted average share price (€)	255.83	72.91
Weighted average exercise price (€)	255.83	72.91
Expected dividend yield	0%	0%
Expected volatility	55%	55%
Risk-free interest rates	1%	1%
Expected lives of the options (years)	6	6

The expected volatility was based on an analysis of the average volatility exhibited in companies representing the global collaboration service provider industry. These volatilities have been calculated over a 6 year period, in conjunction with the expected term of the options.

The contractual life of the options is in accordance with the scheme rules / Options issued during and since 17<sup>th</sup> February 2014, have a 10 year original contract term and vest after 4 years resulting in an expected term of 6 years.

The risk-free rate is based on the yield on 10 year FR Treasury Notes as of the grant date.

**15. FINANCIAL COMMITMENTS**

The minimum annual rentals under operating leases at 31 December 2014 are as follows:

	<b>Land and buildings</b>	
	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Leases which expire:		
In less than one year	-	-
Within two to five years	380,250	380,250

There were no capital commitments at the financial year end.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2014**

**16. ULTIMATE PARENT COMPANY**

The Company is a wholly-owned subsidiary of Arkadin SAS, a company registered in France.

The smallest group in which the results of the Company are consolidated is the one headed by Arkadin SAS. The consolidated accounts of Arkadin SAS can be obtained from 153, rue de Courcelles, 75017, Paris, France.

The ultimate parent of the Company is Nippon Telegraph and Telephone Corporation, registered in Japan, which is also the largest group in which the results of the Company are consolidated. The consolidated accounts of Nippon Telegraph and Telephone Corporation can be obtained from 3-1 Otemachi 2-chrome, Chiyoda-ku, Tokyo, 100-816, Japan.

No disclosure of transactions with group companies has been given in these financial statements, as permitted by the exemptions available under FRS 8 "Related Party Disclosures".

**17. PENSION**

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £110,654 (2013: £51,091). Contributions of £28,716 were outstanding at 31 December 2014 (2013: £15,055).

**18. RESTATEMENT**

Since 2004, the Company's ultimate parent company Arkadin International SAS (which is incorporated in France) has been operating a share option scheme for its own and its subsidiaries' employees. The scheme permits the grant of share options to employees of the group (including the Company) for up to 140,000 class B preference shares.

A number of employees of the Company have previously been granted share options in Arkadin SAS. These options, which vested over the earlier of four years or change in control, therefore should have been accounted for as an equity settled share based payment in line with FRS 20, with a corresponding increase in equity (through Retained Earnings).

However, these were not accounted for in the Company's prior periods' financial statements as per the requirements of FRS 20, and therefore, 2013 results have been restated to reflect the impact of this charge. Consequently, profit for the year ended 31 December 2013 is lower by £338,327 compared to what was reported in the prior year statutory accounts. The prior year adjustment recognised in the statement of total recognised gains losses also includes "£946,323" charge relating to earlier periods. As the share based payment charge is added back to equity the net assets and reserves as at 1<sup>st</sup> January 2014 and 31<sup>st</sup> December 2013 remains unchanged.

The 2014 Share based payment expense relates to the grant of new share options in Arkadin S.A.S. which is not impacted by the prior year restatement.