Cloudtag Active Limited

Financial statements

For the year ended 30 September 2015

TUESDAY

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COMPANIES HOUSE

Company No. 07824765

Officers and professional advisers

Company registration number	07824765
Registered office	16 Great Queen Street London WC2B 5DG
Directors	Amit Ben-Haim Anthony Reeves
Independent auditor	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT

Contents

The directors present their report and accounts for the year ended 30 September 2015.

Directors

The following persons served as directors during the year:

Anthony Reeves
Amit Ben-Haim (appointed 9 March 2015)
Michael Hirschfield (resigned 15 July 2015)
Lee Musgrave (resigned 2 June 2015)
Andrew Jackson (resigned 11 February 2015)
Dr Pantelis Georgiou (resigned 11 February 2015)

Directors' responsibilities statement

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 judgements and accounting estimates that are reasonable and prudent;
- 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.

The directors confirm that:

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

Small company provisions

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

This report was approved by the board on 22 March 2016 and signed on its behalf.

Amit Ben-Haim
Director

Independent auditor's report to the members of Cloudtag Active Limited

We have audited the financial statements of Cloudtag Active Limited for the year ended 30 September 2015 which comprise the Profit and Loss Account and Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the 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 of the financial and non-financial information in the Director's 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 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 30 September 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the Principal Accounting Policies – Going Concern concerning the company's ability to continue as a going concern.

The company incurred a net loss before tax of £1,167,000 during the year ended 30 September 2015 and, at that date, had net current liabilities of £3,319,000 (including £3,071,000 owing to its parent company). The company is reliant on the support of its parent company in both not calling in existing loans and to provide further funds to support trading activities in the future. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

David Main
Senior Statutory Auditor
for and on behalf of Hazlewoods LLP
Statutory Auditors
Windsor House
Bayshill Road
Cheltenham
GL50 3AT

22 March 2016

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to smaller entities).

Going concern

At 30 September 2015 the Company held cash balances of £16,000, however it was reliant on loans of £3.071 million owed to its Parent Company which are repayable on demand, but which the directors of the Parent Company have confirmed will not be called in because Cloudtag Active Limited is the only trading company in the Group and its activities are central to the objectives of the Parent Company.

Since the year end the Group has signed a convertible loan agreement for £1,250,000 and raised £983,400 from the issue of shares.

The Directors have prepared cash flow forecasts for the Group for the period ending 31 March 2017. The forecasts identify unavoidable third party running costs of the Group and demonstrate that the Group will have sufficient cash resources available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the accounts have been prepared on a going concern basis.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed 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 constant 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 classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Principal accounting policies

Foreign currencies

The financial statements are presented in UK Sterling, which is also the functional currency of the company. Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, which is revised annually, over its useful economic life on a straight line basis as follows:

Equipment - 3 years

Research and development expenditure

Research expenditure is written off as incurred. Expenditure on a development project will be written off as incurred unless the following conditions are met:

a) it is for a new or substantially improved product or process;

b) it is technically feasible;

c) it is commercially feasible, and with a high probability that recovery of the costs will take place;

d) there is the availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and

e) there is the intention to complete the product and use or sell it.

For a project meeting all of the above criteria, subsequent costs will be capitalised and amortised through administrative expenses from the date the product or process is available for use, on a straight line basis over the product's estimated useful life.

Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Profit and loss account

	Year ended 30 September 2015 £000	Year ended 30 September 2014 £000
Other administrative expenses	**(1,167)**	(1,135)
Total administrative expenses	**(1,167)**	(1,135)
Loss from operations and loss before taxation	**(1,167)**	(1,135)
Taxation	**125**	255
Loss after taxation and loss for the financial year	**(1,042)**	(880)

Balance sheet

	Notes	30 September 2015 £'000	30 September 2014 £'000
Fixed Assets			
Tangible fixed assets	5	**1**	2
Current assets			
Cash at bank and in hand		**16**	25
Debtors due within one year	6	**134**	260
Total current assets		**150**	285
Creditors: Amounts falling due within one year	7	**(3,470)**	(2,564)
Net current liabilities		**(3,320)**	(2,279)
Total assets less current liabilities and net assets		**(3,319)**	(2,277)
Net liabilities		**(3,319)**	(2,277)
EQUITY			
Profit and loss account	9	**(3,319)**	(2,277)
Equity shareholders' funds		**(3,319)**	(2,277)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to small companies regime.

The financial statements were approved by the board on 22 March 2016.

Amit Ben-Haim
Director
Company number: 07824765

Notes to the financial statements

1 Revenue and loss before taxation

The loss before taxation is stated after charging:

	Year ended 30 September 2015 £000	Year ended 30 September 2014 £000
Exchange differences	(4)	(16)
Operating lease rentals: land and buildings	43	-
Fees payable to the Company's auditor for the audit of the Company financial statements	17	17
Fees payable to the Company's auditor for other services	16	21

2 Particulars of employees and directors remuneration

The average number of staff employed by the Company, including directors, during the financial year was 10 (2014: 8).

Payroll costs during the financial year were as follows:

	2015 £000	2014 £000
Pension contributions	**(10)**	5
Wages and salaries	**242**	235
Social security	**27**	17
	259	257

The directors' remuneration for the year was as follows:

	2015 £000	2014 £000
Remuneration (salary and fees)	**24**	90
Company contribution paid to money purchase schemes	**(10)**	5
	14	95

Notes to the financial statements

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2015	2014
	No.	No.
Accruing benefits under money purchase schemes	-	1
	-	1

The Group has not made contributions to post-employment benefits, other long-term benefits or other termination benefits in respect of any of the Directors, nor were any benefits in kind paid.

3 Taxation

There is a tax credit for enhanced UK research and development tax relief for the year of £125,000 (year ended 30 September 2014: £255,000, of which £127,000 relates to expenditure incurred in previous years).

Unrelieved tax losses in the UK of approximately £2,398,000 (2014: £1,607,000) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 30 September 2015 is £480,000 (2014: £321,000) which has not been provided on the grounds that it is uncertain when or taxable profits will be generated by the Company to utilise the losses.

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	Year ended 30 September 2015	Year ended 30 September 2014
	£000	£000
Loss for the period before taxation	(1,167)	(1,135)
	(1,167)	(1,135)
Tax rate	**21.0%**	22.0%
Expected tax credit	(245)	(249)
Difference between research and development tax credit received and losses surrendered	(41)	(30)
Expenses that are not tax deductible	-	5
Deferred tax asset not recognised on unutilised losses	161	146
Prior Year adjustment	-	(127)
Tax credit for the Year	**(125)**	**(255)**

Notes to the financial statements

4 Related party transactions

Under the provisions of Financial Reporting Standard for Smaller Entities (FRSSE) (effective April 2008) 'Related party disclosures', transactions with group members are not disclosed as 100% of the voting rights are controlled within the group and consolidated financial statements are publicly available.

Kitwell Consultants Limited, a company owned by M Hirschfield, a former director of CloudTag Active Limited, charged the Company £9,000 for the year ended 30 September 2015 for secretarial fees and expenses (year ended 30 September 2014: £3,000). At 30 September 2015 £Nil was owed to Kitwell Consultants Limited in respect of secretarial fees (30 September 2014: £3,400).

A Jackson, a director of Cloudtag Active Ltd was reimbursed £12,939 in expenses during the year (30 September 2014: £60,505).

At 30 September 2015 the following amounts were outstanding for fees and salaries payable to directors and former directors of Cloudtag Active Limited, M Hirschfield £Nil (30 September 2014: £22,500), A Jackson £Nil (30 September 2014: £36,833) and P Georgiou £8,000 (30 September 2014: £16,000).

At 30 September 2015 the Company owed £Nil to L Musgrave, a director of Cloudtag Active Limited, in respect of expenses, (30 September 2013: £424.) Lee Musgrave was paid fees of £8,000 fees and £131 expenses during the year ended 30 September 2015 (30 September 2014: £12,000 fees and £1,791 expenses).

P Georgiou was credited fees of £8,000 during the year ended 30 September 2015, as a director of Cloudtag Active Limited (30 September 2014: awarded £12,000).

SB Corporate Finance Limited, a company of which A Ben-Haim, a director of Cloudtag Active is a director and shareholder, charged the Group £30,600 in respect of office rent (30 September 2014: £Nil).

Notes to the financial statements

5 Property, plant and equipment

	Computer Equipment £'000	Total £'000
Cost		
At 1 October 2014	3	3
Additions	-	-
Cost at 30 September 2015	**3**	**3**
Depreciation		
At 1 October 2014	1	1
Charge for the Year	1	1
At 31 September 2015	**2**	**2**
Net book value		
At 31 September 2015	**1**	**1**
At 30 September 2014	2	2

6 Debtors

	30 September 2015 £000	30 September 2014 £000
Corporation tax repayable	125	255
Other debtors	9	-
Prepayments	-	5
	134	260

Notes to the financial statements

7 Creditors: Amounts falling due within one year

	30 September 2015	30 September 2014
	£000	£000
Trade payables	283	549
Amounts owed to parent company	3,071	1,916
Taxes and social security	14	6
Other creditors	-	40
Accruals and deferred income	102	53
	3,470	2,564

Pension contributions totalling £Nil (2014: £10,000) were payable to a money purchase scheme at the end of the year and are included in creditors. The amount payable at 31 September 2014 of £10,000 was reversed during the year.

The amount owed to parent company above together with any other obligations and liabilities to CloudTag Inc. have been secured by a fixed and floating charge over the assets of the Company dated 11 October 2012.

8 Share capital

Allotted, called up and fully paid:

	30 September 2015	30 September 2014
	£000	£000
Allotted, issued and fully paid		
1 ordinary shares of £1 (30 September 2014: 1)	-	-

Notes to the financial statements

9 Reconciliation of movements in profit and loss and equity shareholders' deficit

	Year ended 30 September 2015
	£'000
Loss for financial period	(1,042)
Net decrease in shareholders' funds	(1,042)
Equity shareholders' deficit brought forward	(2,277)
Equity shareholders' deficit carried forward	(3,319)

10 Contingent Assets and liabilities

The Company is currently involved in litigation with one of its suppliers, which is claiming €290,000 (£215,022) against the Company for services supplied. The directors have included €150,000 (£111,218) as a provision for this in the accounts which they consider to be prudent. There is therefore a contingent liability of €140,000 (£103,804).

At 30 September 2014 the total potential liability was €290,000 (£226,509), the provision €150,000 (£117;160), and the contingent liability €140,000 (£109,349).

The Company is rigorously defending this claim as it considers the services delivered were unsatisfactory.

11 Ultimate parent company

The company's ultimate parent undertaking is Cloudtag Inc., a Company incorporated in the Cayman Islands. This is the largest and smallest group of which the company is a member and for which group accounts are prepared. Copies of the group financial statements can be obtained from the registered office of Cloudtag Inc. which is Zephyr House, 122 Mary Street, P.O. Box 709, KY1-1107 Grand Cayman, Cayman Islands and from the Parent Company's website www.cloudtag.com.

CloudTag Active Ltd's activities have been funded by loans from its parent company, CloudTag Inc. At 30 September 2015 the aggregate amounts loaned to the Company amounted to £3,071,195 (2014: £1,916,381). These amounts together with any other obligations and liabilities to CloudTag Inc. have been secured by a fixed and floating charge over the assets of the Company dated 11 October 2012.