

VCS (HOLDINGS UK) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Company Registration Number 08375791



VCS (HOLDINGS UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

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VCS (HOLDINGS UK) LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 DECEMBER 2014

The board of directors

Mr B Ertischek
Mr C Baty
Mr J Paulson
Mr J Haladay
Mr M Harris
Mr A Baker

Company secretary

Mr B Ertischek

Business address

4th Floor
Central Square
Forth Street
Newcastle upon Tyne
NE1 3PJ

Registered office

4th Floor
Central Square
Forth Street
Newcastle upon Tyne
NE1 3PJ

Auditor

Baker Tilly UK Audit LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

Accountants

Baker Tilly Tax and Accounting Limited
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

VCS (HOLDINGS UK) LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2014

Business review, key performance indicators and future developments

The principal activity of the company during the period was that of a holding company. The group's principal activity during the period was that of software development and distribution.

In line with the Viewpoint acquisition strategy we have heavily invested in the global expansion of 4Projects which has resulted in faster revenue growth and additional expansion costs in 2014. Typical of most businesses and SaaS in particular, there is a lag between the investment and future returns.

4Projects performed well in 2014. Turnover grew by 21.5% in the year with continued and sustained investment in all parts of the business. In particular the group invested significantly in R&D and growing our North American and Australian businesses to leverage our parent company's significant presence in those markets. Given the subscription nature of our revenue the return on this intercompany investment will be felt more keenly in future years and in 2014 resulted in a planned accounting loss easily covered by our strong balance sheet.

Our investments in 2014 continue at a pace in 2015 and are already paying off in 2015 with strong growth continuing across all of the regions in which we sell.

On 1st December 2014 the group acquired MCS Ltd. and their market leading mobile solution called Field View (Formerly 'Priority 1'). The business and assets were integrated into 4Projects Ltd from 1st January 2015 and the integration of the 4Projects and Field View products is proving compelling in the market place.

External recognition was received in the form of winning 'Company of the Year' and 'Collaboration Product of the Year' at the 2014 Construction Computing Awards.

Financial risk management objectives and policies

The company finances its operations through a mixture of retained profits and where necessary intergroup and intercompany borrowings. The management objectives are to:

- retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due whilst maximising returns on surplus funds.

Signed on behalf of the directors



C Baty
Director

Approved by the directors on 30.09.15

VCS (HOLDINGS UK) LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2014

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

Results and dividends

The loss for the period, after taxation, amounted to £6,034,467. The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

Mr B Ertischek
Mr C Baty
Mr J Paulson
Mr J Haladay
Mr M Harris
Mr A Baker

Mr A Baker was appointed as a director on 1 August 2014.

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 period. 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 the group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VCS (HOLDINGS UK) LIMITED
DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2014

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

The directors have prepared a Strategic Report in accordance with section 414C(11) of the Companies Act 2006. This is shown on page 2 of the financial statements.

Auditor

Baker Tilly UK Audit LLP has indicated its willingness to remain in office.

Signed on behalf of the directors



C Baty
Director

Approved by the directors on 30.09.15

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VCS (HOLDINGS UK) LIMITED

We have audited the group and parent company financial statements ("the financial statements") of VCS (Holdings UK) Limited for the year to 31 December 2014 on pages 7 to 23. 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 pages 3 to 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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2014 and of the group's loss for the period 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 matters prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VCS (HOLDINGS UK) LIMITED (CONTINUED)**

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Baker Tilly UK Audit LLP

Kevin Rooney, Senior Statutory Auditor
For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

Date *30 September 2015*

VCS (HOLDINGS UK) LIMITED
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 £	Period from 25 Jan 13 to 31 Dec 13 £
Group turnover	2	7,930,018	5,987,508
Cost of sales		(196,688)	(163,188)
Gross profit		<u>7,733,330</u>	<u>5,824,320</u>
Administrative expenses		(11,203,213)	(5,754,477)
Other operating income	3	84,679	165,492
Operating (loss)/profit	4	<u>(3,385,204)</u>	<u>235,335</u>
Interest receivable		139	–
Interest payable and similar charges	7	(2,668,091)	(2,171,683)
Loss on ordinary activities before taxation		<u>(6,053,156)</u>	<u>(1,936,348)</u>
Tax on loss on ordinary activities	8	18,689	(46,381)
Loss for the financial period		<u><u>(6,034,467)</u></u>	<u><u>(1,982,729)</u></u>

All of the activities of the group are classed as continuing. The group has no recognised gains or losses other than the results for the period as set out above.

The company has taken advantage of section 408 of the Companies Act 2006
not to publish its own Profit and Loss Account.

The notes on pages 11 to 23 form part of these financial statements.

VCS (HOLDINGS UK) LIMITED

GROUP BALANCE SHEET

31 DECEMBER 2014

	Note	2014 £	£	2013 £	£
Fixed assets					
Intangible assets	10	28,376,908		24,736,504	
Tangible assets	11	647,376		441,712	
		<u>29,024,284</u>		<u>25,178,216</u>	
Current assets					
Debtors	14	2,835,549		2,042,549	
Cash at bank and in hand		983,232		1,493,847	
		<u>3,818,781</u>		<u>3,536,396</u>	
Creditors: Amounts falling due within one year	16	<u>(2,840,919)</u>		<u>(2,113,196)</u>	
Net current assets			977,862		1,423,200
Total assets less current liabilities			<u>30,002,146</u>		<u>26,601,416</u>
Creditors: Amounts falling due after more than one year	17		<u>(38,019,341)</u>		<u>(28,584,144)</u>
			<u>(8,017,195)</u>		<u>(1,982,728)</u>
Capital and reserves					
Called-up share capital	21		1		1
Profit and loss account	22		(8,017,196)		(1,982,729)
Shareholders' funds	23		<u>(8,017,195)</u>		<u>(1,982,728)</u>

These accounts were approved by the directors and authorised for issue on 30.09.15 and are signed on their behalf by:

Mr C Baty
Director



The notes on pages 11 to 23 form part of these financial statements.

VCS (HOLDINGS UK) LIMITED

Registered Number 08375791

COMPANY BALANCE SHEET**31 DECEMBER 2014**

	Note	2014 £	£	2013 £	£
Investments	12		8,388,289		2,787,133
Current assets					
Debtors due within one year	14	214,188		243,054	
Debtors due after one year	14	24,254,162		24,348,906	
		24,468,350		24,591,960	
Creditors: Amounts falling due within one year	16	(27,205)		(964)	
Net current assets			24,441,145		24,590,996
Total assets less current liabilities			32,829,434		27,378,129
Creditors: Amounts falling due after more than one year	17		(37,235,577)		(28,833,959)
			(4,406,143)		(1,455,830)
Capital and reserves					
Called-up share capital	21		1		1
Profit and loss account	22		(4,406,144)		(1,455,831)
Shareholders' funds			(4,406,143)		(1,455,830)

These accounts were approved by the directors and authorised for issue on 30.09.15 and are signed on their behalf by:

Mr C Baty
Director



The notes on pages 11 to 23 form part of these financial statements.

VCS (HOLDINGS UK) LIMITED

GROUP CASH FLOW

YEAR 31 DECEMBER 2014

		Year ended 31 December 2014 £	Period from 25 Jan 13 to 31 December 2013 £
Net cash (outflow)/inflow from operating activities	24	(45,625)	1,147,087
Net cash outflow from returns on investments and servicing of finance		(20,591)	—
Taxation		—	—
Capital expenditure			
Payments to acquire tangible fixed assets		(96,961)	(334,324)
Net cash outflow from capital expenditure		(96,961)	(334,324)
Acquisitions and disposals			
Net cash balance acquired with subsidiary undertakings		245,286	1,635,586
Payments to acquire subsidiary undertakings		(5,601,156)	—
Net cash (outflow)/inflow from acquisition and disposals		(5,355,870)	1,635,586
Cash inflow before financing		(5,519,047)	2,448,349
Financing			
Payment of loans		(431,312)	(900,000)
Increase in loan from parent		5,500,000	—
Capital element of hire purchase		(60,256)	(54,502)
Cash inflow/(outflow) from financing		5,008,432	(954,502)
(Decrease)/Increase in cash	24	(510,615)	1,493,847

The notes on pages 11 to 23 form part of these financial statements.

VCS (HOLDINGS UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The accounts are prepared on the going concern basis which assumes the continued support of the ultimate parent undertaking, Viewpoint Inc. The directors have received written confirmation of this support from Viewpoint Inc.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over twenty years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

Turnover represents total invoice value, excluding value added tax, of sales of software as a service made during the year. Turnover is recognised on a monthly basis as the service is provided.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classed as an asset on the balance sheet and amortised on a straight line basis over its useful economic life, which is considered to be 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Goodwill	- over 20 years on a straight line basis
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Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Leasehold Property Improvements	- over 10 years on a straight line basis
Fixtures & Fittings	- over 3 years on a straight line basis
Computer Equipment	- over 3 years on a straight line basis
Software	- over 3 years on a straight line basis

VCS (HOLDINGS UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. Accounting policies *(continued)*

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

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 that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the 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 enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for as financial assets, financial liabilities or equity instruments, according to the substance of the contractual agreement.

Financial instruments which are assets are stated at cost less any provision for impairment. Financial liabilities are stated at principal capital amounts outstanding at the period end. Issue costs relating to financial liabilities are deducted from the outstanding balance and are amortised over the period to the due date for repayment of the financial liability.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. A financial liability is any contractual arrangement for an entity to deliver cash to the holder of the associated financial instrument.

VCS (HOLDINGS UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. Accounting policies (continued)

Deferred income

When invoices are raised in advance of service delivery, the element relating to future periods is credited to deferred income.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	Year ended 31 December 2014 £	Period from 25 Jan 2013 to 31 December 2013 £
United Kingdom	6,003,456	4,755,631
Overseas	1,926,562	1,231,877
	<u>7,930,018</u>	<u>5,987,508</u>

3. Other operating income

	Year ended 31 December 2014 £	Period from 25 Jan 13 to 31 December 2013 £
Other operating income	<u>84,679</u>	<u>165,492</u>

4. Operating (loss)/profit

Operating profit is stated after charging/(crediting):

	Year ended 31 December 2014 £	Period from 25 Jan 13 to 31 December 2013 £
Amortisation of intangible assets	1,561,835	1,301,722
Depreciation of owned fixed assets	107,042	79,082
Depreciation of assets held under hire purchase agreements	100,257	55,208
Loss on disposal of fixed assets	4,336	–
Auditors remuneration	12,600	13,750
Operating lease costs:		
- Land and buildings	200,058	128,870
Net (loss)/profit on foreign currency translation	<u>840,834</u>	<u>(153,629)</u>

VCS (HOLDINGS UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

5. Particulars of employees

The average number of staff employed by the group during the financial period amounted to:

	Year ended 31 Dec 2014	Period from 25 Jan 13 to 31 Dec 13
	No	No
Technical	25	25
Other	45	32
	<u>70</u>	<u>57</u>

The aggregate payroll costs of the above were:

	Year ended 31 Dec 2014	Period from 25 Jan 13 to 31 Dec 13
	£	£
Wages and salaries	3,494,427	2,262,085
Social security costs	370,566	228,545
Other pension costs	54,643	49,257
	<u>3,919,636</u>	<u>2,539,887</u>

6. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	Year ended 31 Dec 2014	Period from 25 Jan 13 to 31 Dec 13
	£	£
Remuneration receivable	155,958	113,341
Value of company pension contributions to money purchase schemes	4,196	7,142
	<u>160,154</u>	<u>120,483</u>

The number of directors accruing benefits under company pension schemes was as follows:

	Year ended 31 Dec 2014	Period from 25 Jan 13 to 31 Dec 13
	No	No
Money purchase schemes	<u>1</u>	<u>2</u>

7. Interest payable and similar charges

	Year ended 31 Dec 2014	Period from 25 Jan 13 to 31 Dec 13
	£	£
Finance charges	20,730	-
Interest charged on group loans (note 21)	2,647,361	2,171,683
	<u>2,668,091</u>	<u>2,171,683</u>

VCS (HOLDINGS UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

8. Taxation on ordinary activities

(a) Analysis of charge in the period

	Year ended 31 Dec 2014	Period from 25 Jan 13 to 31 Dec 13
£	£	£
UK taxation		
In respect of the period:		
UK Corporation tax	–	11,213
Under provision in prior year	–	10,981
	<u> </u>	<u>22,194</u>
Foreign tax		
Current tax on income for the period	–	1,468
	<u> </u>	<u>23,662</u>
 Deferred tax:		
Origination and reversal of timing differences	(18,689)	22,719
Total deferred tax (note 15)	(18,689)	22,719
Tax on loss on ordinary activities	(18,689)	46,381

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is lower than the standard rate of corporation tax in the UK.

	Year ended 31 Dec 2014	Period from 25 Jan 13 to 31 Dec 13
£	£	£
Loss on ordinary activities before taxation	(6,053,156)	(1,936,348)
Loss on ordinary activities by rate of tax – 20% (2013: 23.25%)	(1,210,631)	(450,201)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	697,898	135,195
Capital allowances for period in excess of depreciation	(29,295)	(33,730)
Utilisation of tax losses	163,029	23,211
Amortisation not deductible for tax purposes	312,367	311,876
Benefit of enhanced research and development expenditure	(58,032)	(44,168)
Other timing differences	124,664	81,479
Total current tax (note 8(a))	<u> – </u>	<u>23,662</u>

VCS (HOLDINGS UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

9. Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company, VCS (Holdings UK) Limited, was £2,950,313 (2013: £1,455,831).

10. Intangible fixed assets
Group

	Goodwill £	Intangible asset £	Total £
Cost			
At 1 January 2014	26,034,447	3,779	26,038,226
Additions	5,202,239	–	5,202,239
At 31 December 2014	<u>31,236,686</u>	<u>3,779</u>	<u>31,240,465</u>
Amortisation			
At 1 January 2014	1,301,722	–	1,301,722
Charge for the period	1,561,835	–	1,561,835
At 31 December 2014	<u>2,863,557</u>	<u>–</u>	<u>2,863,557</u>
Net book value			
At 31 December 2014	<u>28,373,129</u>	<u>3,779</u>	<u>28,376,908</u>
At 31 December 2013	<u>24,732,725</u>	<u>3,779</u>	<u>24,736,504</u>

11. Tangible fixed assets
Group

	Leasehold Property £	Fixtures & Fittings £	Computer Equipment £	Software £	Total £
Cost					
At 1 January 2014	158,033	33,369	433,795	127,304	752,501
On acquisition	–	1,723	44,593	19,319	65,635
Additions	178,877	93,484	77,046	30,389	379,796
Disposals	–	(11,819)	(32,468)	–	(44,287)
At 31 December 2014	<u>336,910</u>	<u>116,757</u>	<u>522,966</u>	<u>177,012</u>	<u>1,153,645</u>
Depreciation					
At 1 January 2014	247	20,841	238,980	50,721	310,789
Charge for the period	34,231	12,501	121,646	38,921	207,299
On disposals	–	(11,819)	–	–	(11,819)
At 31 December 2014	<u>34,478</u>	<u>21,523</u>	<u>360,626</u>	<u>89,642</u>	<u>506,269</u>
Net book value					
At 31 December 2014	<u>302,432</u>	<u>95,234</u>	<u>162,240</u>	<u>87,370</u>	<u>647,376</u>
At 31 December 2013	<u>157,786</u>	<u>12,528</u>	<u>194,815</u>	<u>76,583</u>	<u>441,712</u>

Hire purchase agreements

Included within the net book value of £647,376 is £346,802 (2013: £107,059) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £100,257 (2013: £55,208).

VCS (HOLDINGS UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

12. Investments

Company	Group companies £
Cost	
At 1 January 2014	2,787,133
Additions	5,601,156
At 31 December 2014	<u>8,388,289</u>
Net book value	
At 31 December 2014	<u>8,388,289</u>
At 31 December 2013	<u>2,787,133</u>

Holdings in subsidiary undertakings

	Country of incorporation	Class of share held	Proportion of shares held	Principal activity
Riverside Topco Limited	United Kingdom	Ordinary	100%	Holding company
Riverside Acquisitions Limited	United Kingdom	Ordinary	100%	Holding company
4Projects Holdings Limited	United Kingdom	Ordinary	100%	Holding company
4Projects Limited	United Kingdom	Ordinary	100%	Software sales and distribution
4Retail Limited	United Kingdom	Ordinary	100%	Software sales and distribution
4Projects Management Limited	United Kingdom	Ordinary	100%	Dormant company
Mobile Computing Services Limited	United Kingdom	Ordinary	100%	Software sales and distribution

All of the above entities have been included within the consolidated financial statements using the acquisition accounting method.

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of S.479A CA 2006:

Riverside Topco Limited	– registered number 06318545
Riverside Acquisitions Limited	– registered number 06318542
4Projects Holdings Limited	– registered number 05279498
4Projects Management Limited	– registered number 02171374

VCS (HOLDINGS UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

13. Acquisitions

On 1 December 2014, the company acquired all of the Ordinary shares of Mobile Computing Systems Ltd. The resulting goodwill of £5,202,240 was capitalised and will be written off over 20 years. The directors have selected this period as they believe that this most fairly reflects the period of use of the goodwill acquired.

In the opinion of the directors, the adjustments that arose on acquisition and accounting policy alignments are not material and have been shown below. All consideration was due immediately in cash and satisfied by the ultimate parent entity.

The book value and fair value of the assets acquired are as follows:

	Total £	Fair value adjustments £	Total £
Tangible fixed assets	121,212	(55,577)	65,635
Current assets			
Stock	1,911	(1,911)	–
Debtors	364,798	–	364,798
Cash at bank and in hand	245,286	–	245,286
Total assets	<u>733,207</u>	<u>(57,488)</u>	<u>675,719</u>
 Creditors	 (492,719)	 215,916	 (276,803)
Total liabilities	<u>(492,719)</u>	<u>215,916</u>	<u>(276,803)</u>
 Net assets	 <u>240,488</u>	 <u>158,428</u>	 <u>398,916</u>
 Purchase consideration			 5,601,156
Goodwill			<u>5,202,240</u>

In the previous financial period the result of the acquired entities were as follows:

Subsidiary undertakings	Financial period	Profit £
Mobile Computing Systems Ltd	Year ended 30 June 2014	243,259

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14. Debtors

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	1,979,511	–	1,098,145	–
Amounts owed by group undertakings	–	24,254,162	239,024	24,348,906
Other debtors	103,126	–	14,680	–
Deferred taxation (Note 15)	76,872	–	58,183	–
Called up share capital not paid	–	1	–	1
Prepayments and accrued income	676,040	214,187	632,517	243,053
	<u>2,835,549</u>	<u>24,468,350</u>	<u>2,042,549</u>	<u>24,591,960</u>

The debtors above include the following amounts falling due after more than one year:

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Amounts owed by group undertakings	–	24,254,162	239,024	24,348,906

15. Deferred taxation

The movement in the deferred taxation asset during the period was:

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Balance brought forward	58,183	–	–	–
Provision for period	18,689	–	58,183	–
Asset carried forward	<u>76,872</u>	<u>–</u>	<u>58,183</u>	<u>–</u>

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of:

	2014		2013	
	Provided	Unprovided	Provided	Unprovided
		£		
Excess of depreciation over taxation allowances	65,989	–	44,932	–
Other timing differences	10,883	–	13,251	–
	<u>76,872</u>	<u>–</u>	<u>58,183</u>	<u>–</u>

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16. Creditors: Amounts falling due within one year

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Trade creditors	189,209	–	330,503	–
Amounts owed to group undertakings	1,166,486	–	473,356	–
Hire purchase agreements	152,796	–	62,473	–
Other creditors including taxation and social security:				
Corporation tax	18,858	–	11,213	–
PAYE and social security	128,871	–	80,552	–
VAT	330,122	–	205,855	–
Other creditors	19,213	–	10,257	964
Accruals and deferred income	835,364	27,205	938,987	–
	<u>2,840,919</u>	<u>27,205</u>	<u>2,113,196</u>	<u>964</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Hire purchase	<u>152,796</u>	<u>–</u>	<u>62,473</u>	<u>–</u>

17. Creditors: Amounts falling due after more than one year

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Amounts owed to group undertakings	37,876,753	37,235,577	28,543,754	28,833,959
Hire purchase agreements	142,588	–	40,390	–
	<u>38,019,341</u>	<u>37,235,577</u>	<u>28,584,144</u>	<u>28,833,959</u>

Included within amounts owed to group undertakings are loans that arose as a result of the acquisition of 4Projects Group. There are no fixed terms of repayment associated with the amounts due to group undertakings. However, no demand for full repayment within one year will be made. Interest is charged through the inter-company account to the profit and loss account at a rate of 9%.

The following liabilities disclosed under creditors falling due after more than one year are secured by the group:

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Hire purchases	<u>142,588</u>	<u>–</u>	<u>40,390</u>	<u>–</u>

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18. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Amounts payable within 1 year	152,796	–	64,476	–
Amounts payable between 2 to 5 years	142,588	–	40,390	–
	<u>295,384</u>	<u>–</u>	<u>102,863</u>	<u>–</u>

19. Commitments under operating leases

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings 31 Dec 14 £	Land and buildings 31 Dec 13 £
Operating leases which expire:		
After more than 5 years	<u>122,292</u>	<u>122,292</u>

20. Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with 100% owned subsidiaries.

Following the acquisition of the 4Projects Group by VCS (Holdings UK) Limited, the external debt of the group was settled as a condition of the sale and purchase agreement the ultimate parent company of the group, Viewpoint Inc. Viewpoint Inc advanced loans to the group and the amount outstanding at the year end, including interest charged of £2,647,361, was £37,235,577.

21. Share capital

Allotted, called up and fully paid:

	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

On incorporation 1 Ordinary £1 subscriber share was allotted for a consideration of £1.

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22. Reserves

Group – Profit and loss account	2014 £	2013 £
Balance brought forward	(1,982,729)	–
Loss for the period	(6,034,467)	(1,982,729)
Balance carried forward	<u>(8,017,196)</u>	<u>(1,982,729)</u>
Company – Profit and loss account	2014 £	2013 £
Balance brought forward	(1,455,831)	(1,455,831)
Loss for the period	(2,950,313)	–
Balance carried forward	<u>(4,406,144)</u>	<u>(1,455,831)</u>

23. Reconciliation of movements in shareholders' funds

	31 Dec 14 £	31 Dec 13 £
Loss for the financial period	(6,034,467)	(1,982,729)
New ordinary share capital subscribed	–	1
Net reduction to shareholders' funds	(6,034,467)	(1,982,728)
Opening shareholders' deficit	(1,982,728)	–
Closing shareholders' deficit	<u>(8,017,195)</u>	<u>(1,982,728)</u>

24. Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 Dec 14 £	Period from 25 Jan 13 to 31 Dec 13 £
Operating (loss)/profit	(3,385,204)	235,335
Amortisation	1,561,835	1,301,722
Depreciation	207,299	134,290
Loss on disposal of fixed assets	4,336	–
Increase in debtors	(774,311)	(365,821)
Increase/(decrease) in creditors	2,340,420	(158,439)
Net cash (outflow)/inflow from operating activities	<u>(45,625)</u>	<u>1,147,087</u>

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Reconciliation of net cash flow to movement in net debt

	2014 £	2013 £
Change in cash	(510,615)	1,493,847
Cash (inflow)/outflow from increase/decrease in debt and lease financing	(5,008,432)	(845,498)
Change in net debt resulting from financing	(5,519,047)	
New hire purchase and finance lease	(252,777)	–
Non cash flow items	627,507	(3,219,847)
	(5,144,317)	(27,152,770)
Net debt brought forward	(27,152,770)	–
Net debt at carried forward at period end	(32,297,086)	(27,152,770)

Analysis of changes in net debt

	At 31 December 2013 £	Acquisitions £	Cash flows £	Other Movements £	At 31 December 2014 £
Cash balance	1,493,847	245,286	(755,901)	–	983,232
Hire purchase	(102,863)	–	60,256	(252,777)	(295,384)
Intercompany loans	(28,543,754)	–	(431,312)	(4,009,868)	(32,984,934)
Net debt	(27,152,770)	245,286	(1,126,957)	(4,262,645)	(32,297,086)

25. Ultimate parent company

At 31 December 2014, the company's immediate and ultimate parent company was Viewpoint Inc.

26. Ultimate controlling party

At 31 December 2014, the directors believe there was no ultimate controlling party of the company as no individual had control of more than 50% of the share capital of Viewpoint Inc.