Registration number: 06636109 (England and Wales)

ClearBooks plc

Financial Statements

for the Year Ended 31 March 2015

ClearBooks plc

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COMPANY INFORMATION

Directors	T J W Fouracre
	P S Maunders (appointed 1 April 2014)
	E S Fouracre (appointed 1 April 2014)
	B McLoughlin (appointed 1 April 2014)
Company Secretary	J R Fouracre
Registered Office	Lyric House 149 Hammersmith Road London W14 OQL
Auditor	Baker Tilly UK Audit LLP 25 Farringdon Street London EC4A 4AB

ClearBooks plc

Strategic Report for the Year Ended 31 March 2015

The directors present their strategic report for the year ended 31 March 2015.

Principal activity

The principal activity of the Company is the provision of online accounting software.

Business review

Fair review of the business

The Company's financial year has been characterised by staying true to our mission to help small businesses. Community continued to be an underlying theme in much of our activities.

We launched Cloud Funding II in June 2014 and successfully raised £732,174 using our innovative crowdfunding platform. This investment from our community of customers has helped us expand the team in all departments, increasing to 41 employees from 22 during the year.

Customer numbers have continued to climb throughout the year resulting in top line revenue growth of 31% and record revenue of £1,076,037.

On the 13th June 2014 we held the inaugural Clear Books Community Exhibition, hosted by Microsoft at its headquarters in London. With expert guest speakers, exhibitors and a Clear Books clinic, the event was a great success and something we intend to do annually.

In September 2014, the company expanded internationally with the incorporation of a subsidiary in the Netherlands, Clear Books NL BV. This has been our pilot for internationalising and localising the application for a new market, ahead of further European expansion.

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

	2015 £	2014 £
Turnover	1,076,037	822,919
Gross Profit	868,909	696,749

Principal risks and uncertainties

As a technology company Clear Books' biggest asset is its people. Retaining and recruiting the best people is an on-going challenge.

The Company provides cloud based software as a service. Therefore a problem with the software application or the hosting of the software is an area of operational and reputational risk. The Company mitigates such risks by striving to work to best practices in its approach to application development and hosting.

The cloud accounting software market in the UK is an emerging subset of the larger accounting software market, both of which are increasingly competitive with both smaller and larger vendors. There is a risk that the Company's growth rates cannot be sustained due to competitive pressures.

Clear Books is an established cloud accounting software vendor, but in the same way that cloud software is usurping desktop software, Clear Books is at risk of being vulnerable to the next disruptive technological advance.

Clear Books' expansion into new geographical markets, such as the Netherlands, poses risks including failure to gain traction in these new markets and loss of focus in Clear Books' home market, the UK.

Approved by the Board on 29 July 2015 and signed on its behalf by:

T J W Fouracre

Director

ClearBooks plc

Directors' Report for the Year Ended 31 March 2015

The directors present their report and the audited financial statements for the year ended 31 March 2015.

Financial risk management

Objectives and policies

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from clients. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company trades only with recognised, creditworthy third parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework that aims to ensure that the Company has sufficient cash or credit facilities at all times to meet all current and forecast liabilities as they fall due.

Other risks

The Company's exposure to other risks such as prices, interest and cash flow is within reasonable limits and these exposures are not hedged.

Research & Development

Clear Books employs software developers who carry our research and development to create and improve Clear Books cloud accounting software.

Future Developments

We look forward to our second Clear Books Community Exhibition in the coming financial year and we will be looking to build new relationships with accountants to continue our growth in revenue and customer numbers.

Clear Books was established in Holland during the year with the formation of our subsidiary Clear Books NL BV. We hope to build on this European expansion in the coming year as Clear Books has been translated into Spanish, French, Portuguese, Polish, Hungarian and German, which we hope will allow further expansion into both Europe and Latin America.

Post Balance Sheet Events

Share Incentive Plan for Clear Books employees

Clear Books plc entered into an Employee Share Incentive Plan on 1 April 2015. A subsidiary company, of which Clear Books plc is the sole shareholder, was formed and will hold the free shares awarded to eligible employees. An award of £40,201 was made on 1 May 2015 to eligible employees awarding 3,350 shares to employees.

Group Accounts

Clear Books plc has taken the small groups exemption from preparing group accounts and will only present information about Clear Books plc as an individual company.

Directors of the company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

T J W Fouracre

P S Maunders (appointed 1 April 2014)

E S Fouracre (appointed 1 April 2014)

B McLoughlin (appointed 1 April 2014)

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information (as defined by section 418 of the Companies Act 2006) and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware.

Change of auditor

During the year, Harmer Slater Limited resigned as auditor and the directors appointed Baker Tilly UK Audit LLP to act as the company's auditor.

Approved by the Board on 29 July 2015 and signed on its behalf by:

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T J W Fouracre

Director

ClearBooks plc

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 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 apply them consistently;
- make judgements 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 appropriate 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.

ClearBooks plc

Independent Auditor's Report for the year ended 31 March 2015

We have audited the financial statements on pages 10 to 25. 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 more fully explained in the Directors' Responsibilities Statement on page 7,, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at 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 March 2015 and of its loss 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 of the information and explanations we require for our audit.

Signed by:

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David Blacher (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

18/8/2015

ClearBooks plc

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £	2014 £
Turnover	2	1,076,037	822,919
Cost of sales		(207,128)	(126,170)
Gross profit		868,909	696,749
Administrative expenses		(1,185,626)	(807,511)
Other operating income		692	5,000
Operating loss	3	(316,025)	(105,762)
Other interest receivable and similar income	7	2,803	1,188
Loss on ordinary activities before taxation		(313,222)	(104,574)
Tax on loss on ordinary activities	8	183,534	54,454
Loss for the financial year		(129,688)	(50,120)

Continuing operations

Turnover and operating profit derive wholly from continuing operations.

Total recognised gains and losses

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 14 to 25 form part of the financial statements.

ClearBooks plc

BALANCE SHEET AS AT 31 MARCH 2015

	Note	2015 £	2014 £
Fixed Assets			
Tangible Fixed Assets	9	72,333	71,407
Intangible Fixed Assets	10	316,883	-
Investment in subsidiary	11	100,125	-
		489,341	71,407
Current Assets			
Debtors	12	272,748	131,738
Cash at bank and in hand		969,880	818,030
		1,242,628	949,768
Creditors: amounts falling due within 1 year	13	(219,020)	(118,675)
Net current assets		**1,023,608**	**831,093**
Total assets less current liabilities		**1,512,949**	**902,500**
Provision for liabilities	14	(22,238)	(14,281)
Net Assets		**1,490,711**	**888,219**
Capital and Reserves			
Called up share capital	15	217	211
Share premium account	16	1,619,190	887,016
Profit and loss account	16	(128,696)	992
Shareholders' funds		**1,490,711**	**888,219**

Approved and authorised for issue by the Board on 29 July 2015 and signed on its behalf by:

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T J W Fouracre

Director

ClearBooks plc

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

Reconciliation of operating loss to net cash flow from operating activities

	2015 £	2014 £
Operating Loss	(316,025)	(105,762)
Depreciation, amortisation and impairment charges	71,358	20,351
Increase in debtors	(11,145)	(29,608)
Increase/(Decrease) in creditors	100,345	(205,813)
Net cash outflow from operating activities	(155,467)	(320,832)

Cash flow statement

	2015 £	2014 £
Net cash outflow from operating activities	(155,467)	(320,832)
Returns on investments and servicing of finance		
Interest received	2,803	1,188
Taxation received	61,626	65,910
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(42,375)	(56,211)
Purchase of investment	(100,125)	-
Purchase of intangible assets	(346,792)	-
Net cash outflow before management of liquid resources and financing	(580,330)	(309,945)
Financing		
Issue of shares	732,180	900,825
Increase in cash	151,850	590,880

Reconciliation of net cash flow to movement in net debt

	2015 £	2014 £
Increase in cash	151,850	590,880
Movement in net debt	151,850	590,880
Net funds at 1 April	818,030	227,150
Net funds at 31 March	969,880	818,030

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with the Companies Act 2006 and applicable accounting standards.

In accordance with Financial Reporting Standard No 18 "Accounting Policies" the Company's directors have reviewed the company's accounting policies and confirm that they continue to be the most appropriate.

A summary of the significant accounting policies which have been consistently applied in the current and the preceding year is set out below.

Clear Books plc has taken the small groups exemption from preparing group accounts and will only present information about Clear Books plc as an individual company.

Going concern

The company has strong cash reserves at the year end and through weekly and monthly management meetings the company has controls in place to monitor budgets and forecasts. The directors review financial information in board meetings on a quarterly basis and they have reviewed forecasts for the next 12 months and have not identified any material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern.

Turnover

Turnover represents revenue receivable by the company in respect of the provision of software services to customers net of value added tax. Turnover is recognised when the service is provided to the customer. Deferred revenue represents the estimated unearned portion of fees received to the extent that they are considered recoverable.

Tangible fixed assets

Tangible fixed assets are recorded at historical cost less accumulated depreciation. Cost comprises the purchase price together with all expenses directly incurred in bringing the asset to its location and condition ready for use.

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Plant and Machinery	33% straight line
Fixtures and Fittings	33% straight line

Intangible Fixed Assets

Intangible fixed assets are recorded at historical cost less accumulated amortisation. Costs consist of website development costs, purchased trademarks and capitalisation of Clear Books' developer's time spent on developing Clear Books software. Intangible assets are amortised over 5 years with no amortisation charged in the month of acquisition.

Research & Development

Clear Books capitalises 80% of developer's salaries as this is the proportion of their time spent on the development of Clear Books software as an intangible asset. The capitalised cost is then amortised over 5 years, in line with our Intangible Fixed Asset policy.

Investment in subsidiaries

Investment in subsidiaries are recorded at historical cost and an annual impairment review is carried out by the directors to ensure that the carrying value is appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate of tax.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Pensions

The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

2 TURNOVER

In the opinion of the directors the Company's turnover, loss before tax and net assets are not attributable to classes of business or geographical segments which differ substantially from each other.

3 OPERATING LOSS

Operating loss is stated after charging:

	2015 **£**	**2014** **£**
Operating leases - other assets	44,660	23,303
Foreign currency losses	406	180
Depreciation of owned assets	41,449	20,351
Amortisation of intangible assets	29,909	-
Auditor's remuneration	9,250	5,750

4 AUDITOR'S REMUNERATION

	2015 £	2014 £
Audit of the financial statements	9,250	3,750
Fees payable to the company's auditor for other services:		
Taxation services	-	750
Other services	-	1,250
	-	2,000
	9,250	5,750

5 PARTICULARS OF EMPLOYEES

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2015 £	2014 £
Design and development	16	12
Sales, marketing and support	25	10
	41	22

The aggregate payroll costs were as follows:

	2015 £	2014 £
Wages and salaries	908,704	455,807
Social security costs	77,629	41,827
Staff pensions	10,949	6,742
	997,282	504,376

6 DIRECTORS' REMUNERATION

The directors' remuneration for the year was as follows:

	2015 £	2014 £
Remuneration	130,115	43,387
Company contributions paid to money purchase schemes	4,917	3,450

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

	2015 No	2014 No
Accruing benefits under money purchase pension scheme	2	1

7 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Bank interest receivable	2,803	1,188

8 TAXATION

	2015 £	2014 £
Current tax		
Corporation tax credit	(191,491)	(61,626)
Deferred tax		
Origination and reversal of timing differences	7,957	7,172
Total tax on loss on ordinary activities	(183,534)	(54,454)

Factors affecting current tax charge for the year

Tax on loss on ordinary activities for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 21% (2014 - 23%).

The differences are reconciled below:

	2015 £	2014 £
Loss on ordinary activities before taxation	(313,222)	(104,574)
Corporation tax at standard rate	(65,777)	(24,052)
Capital allowances in excess of depreciation	6,086	(8,248)
Expenses not deductible for tax purposes	3,203	2,328
Adjustment for R&D tax credit	(135,003)	(31,654)
Total current tax	(191,491)	(61,626)

The unrecognised deferred tax asset related to tax losses is £10,374. It has not been recognised due to the uncertainty of future taxable profits.

9 TANGIBLE FIXED ASSETS

	Plant & Machinery	Fixtures & Fittings	Total
Cost			
At 1 April 2014	47,879	71,344	119,223
Additions	25,779	16,596	42,375
A 31 March 2015	73,658	87,940	161,598
Depreciation			
At 1 April 2014	31,683	16,133	47,816
Charge for the year	15,618	25,831	41,449
A 31 March 2015	47,301	41,964	89,265
Net book value			
At 31 March 2015	26,357	45,976	72,333
At 31 March 2014	16,196	55,211	71,407

10 INTANGIBLE ASSETS

	Research & Development	Trade Marks	Website Development	Total
Cost				
At 1 April 2014	-	-	-	-
Additions	333,654	4,082	9,056	346,792
A 31 March 2015	333,654	4,082	9,056	346,792
Amortisation				
At 1 April 2014	-	-	-	-
Charge for the year	29,360	383	166	29,909
A 31 March 2015	29,360	383	166	29,909
Net book value				
At 31 March 2015	304,294	3,699	8,890	316,883
At 31 March 2014	-	-	-	-

11 INVESTMENT

On 15th September 2014 Clear Books plc invested in Clear Books NL BV, a company incorporated in the Netherlands, acquiring a 71.59% shareholding. The share capital of Clear Books NL BV is made up of 10,000 ordinary shares, each with a nominal value of €1. Clear Books plc invested £100,125 (€125,000) for its shareholding.

The aggregate amount of share capital and reserves of Clear Books NL BV at 31 March 2015 was €343,544 and the loss for the financial year to 31 March 2015 was €92,432.

Clear Books NL BV sells a dutch version of Clear Books to customers in the Netherlands.

Group accounts have not been prepared as Clear Books plc has taken advantage of the small group exemption from preparing group accounts.

12 DEBTORS

	2015 £	2014 £
Trade debtors	13,448	44,479
Amounts owed by group undertakings	6,568	-
Other debtors	208,646	77,535
Prepayments and accrued income	44,087	9,724
	272,748	131,738

13 CREDITORS

	2015 £	2014 £
Trade creditors	37,738	19,964
Other taxes and social security	57,034	19,206
Other creditors	401	1,789
Accruals and deferred income	123,742	77,716
Amounts due to group undertaking	105	-
	219,020	118,675

14 PROVISIONS

	£
At 1 April 2014	14,281
Charged to the profit and loss account	7,957
At 31 March 2015	22,238

Analysis of deferred tax

	2015 £	2014 £
Difference between accumulated depreciation and amortisation and capital allowances	22,238	14,281
	22,238	14,281

15 SHARE CAPITAL

	2015 No	2015 £	2014 No	2014 £
Ordinary shares of £0.0001 each	2,171,285	217	2,110,269	211

New shares allotted

During the year 61,015 ordinary shares of £0.0001 were allotted for an aggregate consideration of £732,180.

During the year funds were raised through Cloud Funding II which opened in June 2014 and is still in progress. More details are available at https://www.clearbooks.co.uk/cloudfunding2.

16 RESERVES

	Share Premium Account £	Profit & loss account £	Total £
At 1 April 2014	887,016	992	888,008
Loss for the year	-	(129,688)	(129,688)
Premium on issue of shares	732,174	-	732,174
At 31 March 2015	1,619,190	(128,696)	1,490,494

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2015 £	2014 £
Loss attributable to the members of the company	(175,792)	(50,120)
New share capital allotted	732,180	900,825
New addition to shareholders' funds	556,388	850,705
Shareholders' funds at 1 April	888,219	37,514
Shareholders' funds at 31 March	1,444,607	888,219

18 PENSION SCHEME

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £10,949 (2014 - £6,742).

Contributions totalling £592 (2014 - £3,292) were payable to the scheme at the end of the period and are included in creditors.

19 COMMITMENTS

Operating lease commitments

As at 31 March 2015 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2015 £	2014 £
Land and Buildings		
Less than one year	17,937	-
Within two and five years	46,236	44,643

20 RELATED PARTY TRANSACTIONS

Brendan McLoughlin and Paul Maunders, directors of the company, are also directors of Fubra Limited, which holds shares in Clear Books plc.

At 31 March 2015, balances of £6,194 (2014:£Nil) and £105 (£2014:Nil) were payable to Fubra Limited and are included in Trade Creditors and Other Creditors respectively.

During the year Fubra Limited charged the company £11,508 (2014: £14,116) in respect of transaction processing fees, £3,281 (2014:£Nil) in respect of hardware, £2,100 (2014:£Nil) in respect of training, £400 (2014:£Nil) in respect of SANSSL charges and £36,000 (2014: £Nil) in respect of web hosting.

During the year Clear Books plc recharged £22,070 (2014: £Nil) to Clear Books NL BV, a subsidiary of Clear Books plc of which it has 71.59% ownership, relating to operational costs. At 31 March 2015 Clear Books NL BV owed Clear Books plc £6,309 (2014: £Nil).

22 CONTROL

No one party controls the company.

23 POST BALANCE SHEET EVENTS

Share Incentive Plan for Clear Books employees

Clear Books plc entered into an Employee Share Incentive Plan on 1 April 2015. A subsidiary company, of which Clear Books plc is the sole shareholder, was formed and will hold the free shares awarded to eligible employees. An award of £40,201 was made on 1 May 2015 to eligible employees awarding 3,350 shares to employees.