Elateral Group Limited

Directors' report and financial statements

Registered number 07435521

31 March 2014

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Directors' report

The directors present their directors' report and audited consolidated financial statements for the year ended 31 March 2014.

Principal activity

The principal activity of the company during the year was to act as a holding company. The principal activity of the group comprised the development and sale of marketing automation software and associated services.

Highlights

The success of the group's continuing strategy to focus on securing and expanding our core client relationships drove growth among core existing clients of 17%. In the light of improving confidence in the economic outlook generally, and accelerating new client wins, the Directors expect continued good momentum into 2015. Having achieved our aim of disproportionate growth among existing clients we expect to increasingly rebalance focus with renewed emphasis on net new client acquisitions in the next 12-24 months.

Operational activity

Market focus

Elateral has seen continued growth in the marketing technologies sector as a whole, much of which is driven by the desire for increasingly relevant engagement of customers and prospects across a widening spectrum of communication channels. This desire continues to fuel enterprise demand for solutions to accelerate and automate content customization and distribution, Elateral's principle strategic focus. While overall economic conditions remain challenging, the directors believe that market trends and demand patterns indicate a highly favourable future for Elateral solutions, particularly as many of our clients report the dual benefits of reducing costs and improving productivity from the use of our solutions. This has enabled Elateral to enjoy robust and expanding relationships with its clients..

Product and Technology

Elateral has continued to make exceptional strategic investments in its core technologies to strengthen and extend its technology leadership on multiple fronts. The group has invested in the development and deployment of its next-generation Marketing Services Cloud (MSC) platform; migration of the final client is nearing completion with all others having been successfully migrated. The Directors expect the completion of this migration process to significantly reduce the cost of delivering and maintaining Elateral's platform. Elateral has successfully deployed its cross-channel content customisation capabilities, transcending a wide range of both online and offline media, as well as new technology for the customisation of three-dimensional marketing displays and packaging materials, and its first mobile tablet application. Elateral's demonstrable progress was acknowledged by Gartner, a leading global marketing solutions analyst, through a considerable improvement in our positioning on the Gartner Magic Quadrant for Marketing Resource Management solution providers, published in February of 2014.

Clients

The company's strategy to secure and expand its relationships with key strategic clients has been a great success and has established the basis for what management believes will be continuing valuable growth opportunities. The ongoing strategy remains to drive shareholder value by focusing on extending technology leadership through innovative application and platform capabilities, underscoring quantified client value delivery, increasing quality and capacity in service delivery, and expanding scale and efficiency through key strategic partnerships. Reinforcing the core client base revenues with continued expansion of the new business pipeline presents a strong outlook for the future. The company intends to expand its partnering initiatives through next year by aligning with strategic partners in both business development and solution delivery capacities. The directors expect that this will help facilitate the company's continued expansion.

Directors' report *(continued)*

Operational activity *(continued)*

Foreign exchange risk

The directors acknowledge that since a significant percentage of the group's revenue is in US Dollars there is a risk that the relative strength of the pound against the dollar could have an adverse effect on the future revenues of the business, and accordingly the directors are aware of the need to closely monitor fluctuations in the exchange rate.

Directors

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

A de Watteville
P Goater
P Blackburn
J Elkins
J Szpiro
R Whitby-Smith
B Taylor
P Kamel

Political and charitable donations

Donations made by the group for charitable purposes amounted to £1,850 (2013: £1,120). No political contributions were made during the year or the prior year.

Employment policies

It is Group policy, where possible, to provide employment opportunities for disabled people. Staff who become disabled are supported in continuing employment through identification of suitable jobs and the provision of necessary retraining.

Disclosure of information to the auditor

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

Auditor

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

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

By order of the board

A de Watteville
Director

Elateral House
Crosby Way
Farnham
Surrey
GU9 7XX

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the group and parent company financial statements in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008) and applicable law (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Independent auditor's report to the members of Elateral Group Limited

We have audited the financial statements of Elateral Group Limited for the year ended 31 March 2014 set out on pages 6 to 22. 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) (UK 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 the 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 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's web-site 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 the parent company's affairs as at 31 March 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK 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.

Independent auditor's report to the members of Elateral Group 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; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.



Neil Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

5 March 2015

Group Profit and Loss Account

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	2	**6,149**	6,105
Cost of sales		**(816)**	(469)
Gross profit		**5,333**	5,636
Administrative expenses		**(6,761)**	(7,129)
Operating loss before exceptional project costs		**(6)**	(309)
Administrative expenses - exceptional project costs	4	**(1,422)**	(1,184)
Operating loss	3	**(1,428)**	(1,493)
Interest payable and similar charges	6	**(80)**	(69)
Loss on ordinary activities before taxation		**(1,508)**	(1,562)
Tax on loss on ordinary activities	7	**313**	151
Loss for the financial year		**(1,195)**	(1,411)

The results for the current and preceding year all relate to continuing activities.

The notes on pages 10 to 22 form part of these financial statements.

Group Statement of Total Recognised Gains and Losses

for the year ended 31 March 2014

	2014 £'000	2013 £'000
Loss for the financial year	**(1,195)**	(1,411)
Currency translation differences on foreign currency net investments	**(181)**	146
Total gains and losses relating to the financial year	**(1,376)**	(1,265)

Group Balance Sheet

At 31 March 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	*9*		**9**		15
Investments	*10*		**40**		40
			49		55
Current assets					
Debtors	*11*	**1,612**		1,165	
Cash at bank and in hand		**519**		1,266	
		2,131		2,431	
Creditors: amounts falling due within one year	*12*	**(5,090)**		(4,020)	
Net current liabilities			**(2,959)**		(1,589)
Net liabilities			**(2,910)**		(1,534)
Capital and reserves					
Called up share capital	*13*		**978**		978
Share premium account	*14*		**3,029**		3,029
Capital redemption reserve	*14*		**633**		633
Group consolidation reserve	*14*		**15,410**		15,410
Profit and loss account	*14*		**(22,960)**		(21,584)
Shareholders' deficit	*15*		**(2,910)**		(1,534)

The notes on pages 10 to 22 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and with the Financial Reporting Standard for Smaller Entities (Effective April 2008).

These financial statements were approved by the board of directors on 05th March 2015 and were signed on its behalf by:

A de Watteville
Director

Registered number 07435521

Company Balance Sheet

At 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	*10*	**7,000**	7,000
Creditors: amounts falling due within one year	*12*	**(2,629)**	(2,463)
Net current liabilities		**(2,629)**	(2,463)
Net assets		**4,371**	4,537
Capital and reserves			
Called up share capital	*13*	**978**	978
Share premium account	*14*	**3,029**	3,029
Capital redemption reserve	*14*	**633**	633
Profit and loss account	*14*	**(269)**	(103)
Shareholders' funds	*15*	**4,371**	4,537

The notes on pages 10 to 22 form part of these financial statements

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and with the Financial Reporting Standard for Smaller Entities (Effective April 2008).

These financial statements were approved by the board of directors on 05th March 2015 and were signed on its behalf by:

A de Watteville
Director

Registered number 07435521

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008) and under the historical cost accounting rules.

Basis of consolidation

The group accounts consolidate the accounts of Elateral Group Limited and its subsidiary undertakings.

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.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. The group has undertaken a significant investment programme to update its core marketing platform. This has resulted in a loss for the current and preceding two years. Further investment in the year ending 31 March 2015 will also lead to a substantial loss in that year. The group is forecast to return to profitability during the year ending 31 March 2016 when the benefits of the investment will begin to be realised.

In 2014 the company received £2.2m of loans from its major shareholders. The loans were initially for a period of less than one year; their repayment date has since been extended to 31 July 2015. However, in February 2015, the shareholders wrote to the company to confirm that it is not their current intention to seek repayment of their loans for at least the next twelve months. The shareholders also noted their belief in the group's significant growth potential and its strategic value in the marketing automation space. The directors have no reason to believe that the shareholders' loan facilities will not remain available.

The board has approved the group's operating plan, including a cash flow forecast, for the period to 31 March 2016. That forecast, which includes substantial revenue growth, indicates that the group will be cash generative and will be able to operate within its existing loan facilities. The directors believe there are actions they could take, if necessary, to ensure the group continues to have sufficient cash for its operation. Accordingly, the directors are satisfied that the group will be able to meet its liabilities as they fall due during the period to 31 March 2016 and beyond.

Therefore, after taking into account the above factors, the directors believe that the group can manage its business risks successfully and are satisfied that the group and the parent company have sufficient financial resources to enable them to continue operating in the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing the directors' report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover, which is stated net of value added tax and trade discounts, represents amounts invoiced to third parties for goods and services provided.

Software licence fees and fees for hosting services are recognised rateably over the period to which they relate.

Fees for professional services are recognised as the services are performed.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is

incurred.

Notes (*continued*)

1 Accounting Policies (*continued*)

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, by equal instalments over the useful economic life of that asset as follows:

Leasehold improvements	-	over 5 years
Furniture, fittings and equipment	-	between 3 and 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Operating leases

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 Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of any group company. The pension charge represents the amounts payable by the group to the fund in respect of the period.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Permanent loans advanced by a parent company to a subsidiary undertaking which are denominated in a foreign currency are maintained at their historic rate and not retranslated in the standalone company accounts. In the consolidated accounts of the group, such loans are retranslated at the closing exchange rates, and the foreign exchange differences are recognised directly in the Statement of Total Recognised Gains and Losses.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost, less amounts written off, if any.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences

a residual interest in the assets of the group after deducting all of its liabilities.

Notes (*continued*)

2 Analysis of turnover

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

An analysis of turnover is given below:

	2014	2013
	£'000	£'000
United Kingdom	**562**	716
Rest of Europe	**217**	147
Rest of the world	**5,370**	5,242
	6,149	6,105

3 Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging:

	2014	2013
	£'000	£'000
Depreciation of owned fixed assets	**16**	22
Hire of other assets - operating leases	**584**	559
Research and development expenditure	**1,939**	624

Auditor's remuneration:

	2014	2013
	£'000	£'000
Audit of these financial statements	**12**	12

4 Exceptional project costs

At the start of FY2012 the business had identified that significant investment was required to transform the software code of the underlying platform used to provide services to customers, and to align all customers on one consolidated platform. Specific projects undertaken to address these two areas are tracked separately, and the exceptional costs represent the incremental cost of undertaking these projects.

The exceptional costs are identified separately in the Profit and Loss account in order to provide a clearer view of the underlying performance of the business.

Notes *(continued)*

5 Directors' remuneration

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

	2014 £'000	2013 £'000
Directors' emoluments	771	731
Company contributions to money purchase schemes	80	25
	851	756

Remuneration of highest paid director:

	2014 £'000	2013 £'000
Total emoluments	251	223
	251	223

The number of directors to whom retirement benefits are accruing under the money purchase scheme during the year ended 31 March 2014 was 3 *(2013: 3)*.

6 Interest payable and similar charges

	2014 £'000	2013 £'000
Dividends in connection with Preferred Shares classed as financial liabilities	69	69
Related party loan interest and arrangement fees	11	-
	80	69

7 Taxation on ordinary activities

Analysis of credit in the year

	2014 £'000	2013 £'000
UK corporation tax		
Current tax on income for the year	(315)	(154)
Foreign tax	2	3
	(313)	(151)
Deferred tax		
Origination and reversal of temporary differences	-	-
Tax on loss on ordinary activities	(313)	(151)

Notes *(continued)*

7 Taxation on ordinary activities *(continued)*

Factors affecting the tax charge for the current period

The current tax credit for the period is lower *(2013: lower)* than the standard rate of corporation tax in the UK of 23% *(2013: 24%)*. The differences are explained below.

	2014	2013
	£'000	£'000
Current tax reconciliation		
Loss on ordinary activities before tax	**(1,510)**	(1,562)
Current tax at 23% *(2013: 24%)*	**(347)**	(375)
Effects of:		
Expenses not deductible for tax purposes	**43**	36
Capital allowances for period in excess of depreciation	**(10)**	(10)
Losses carried forward	**188**	175
Additional deduction on qualifying R&D expenditure	**(414)**	(158)
Tax repayment on qualifying R&D expenditure	**302**	154
Effects of overseas tax rates	**(75)**	27
Total current tax credit (see above)	**(313)**	(151)

The unrecognised deferred tax asset in respect of UK trading losses and capital allowances versus depreciation was £1,586,000 (2013: £1,564,000). The unrecognised deferred tax asset in respect of US Federal loss carry forwards was £1,713,000 (2013: *£1,760,*000). These amounts have not been recognised as there is insufficient evidence that they will be recovered.

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the group's future current tax charge accordingly.

8 Loss attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £166,000 *(2013: £69,000).*

Notes *(continued)*

9 Tangible fixed assets

Group

	Leasehold improvements	Furniture, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At beginning of year	460	968	1,428
Additions	-	10	10
At end of year	460	978	1,438
Depreciation			
At beginning of year	460	953	1,413
Charged in year	-	16	16
At end of year	460	969	1,429
Net book value			
At 31 March 2014	-	**9**	**9**
At 31 March 2013	-	15	15

10 Investments

Group

	Other
	£'000
Cost and net book value	
At 1 April 2013 and 31 March 2014	**40**

The other investment represents shares in Elateral Group Ltd held by Elateral Trustees Ltd (see note 19).

Notes *(continued)*

10 Investments *(continued)*

Company

	Shares in group companies £'000
Cost and net book value	
At 1 April 2013 and 31 March 2014	7,000

Subsidiary undertaking	Country of incorporation	Holding	Proportion of voting rights	Nature of business
Elateral Holdings Ltd	England	Ordinary, preferred and deferred shares	100%	Holding company
Elateral Trustees Limited	England	Ordinary shares	100%	Employee share ownership Trust
Elateral Inc	USA	Ordinary shares	100%	Sales of marketing solutions
Elateral GmbH	Germany	Ordinary shares	100%	Sales of marketing solutions
Elateral Limited	England	Ordinary shares	100%	Software development and sales

Elateral Holdings Limited is owned directly by Elateral Group Limited; all other subsidiaries are owned indirectly.

11 Debtors

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Trade debtors	**895**	565	**-**	-
Other debtors and prepayments	**308**	174	**-**	-
Other taxation and social security	**409**	426	**-**	-
	1,612	1,165	**-**	-

Notes *(continued)*

12 Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Trade creditors	**1,056**	662	**-**	-
Other taxation and social security	**79**	70	**-**	-
Accruals and deferred income	**2,723**	2,325	**9**	-
Preferred shares classed as financial liabilities	**1,032**	963	**1,032**	963
Related party loans	**200**	-	**200**	-
Amounts owed to group undertakings	**-**	-	**1,388**	1,500
	5,090	4,020	**2,629**	2,463

The balance for the Preferred shares classed as financial liabilities is made up as follows:

	2014	2013
	£'000	£'000
286,666,666 Preferred Shares of £0.0001 each	**29**	29
Share Premium on issued Preferred Shares	**830**	830
Accrued dividends on Preferred Shares	**173**	104
	1,032	963

Notes *(continued)*

13 Share capital

Allotted, called up and fully paid

	2014 £'000	2013 £'000
52,841,589 *(2013: 52,841,589)* Ordinary shares of £0.0001 each	**5**	5
59,871,273 *(2013: 59,871,273)* A Ordinary shares of £0.0001 each	**6**	6
9,664,768,338 *(2013: 9,664,768,338)* Deferred shares of £0.0001 each	**967**	967
286,666,666 *(2013: 286,666,666)* Preferred shares of £0.0001 each	**29**	29
	1,007	1,007

Amounts presented in equity

	2014 £'000	2013 £'000
Ordinary shares of £0.0001 each	**5**	5
A Ordinary shares of £0.0001 each	**6**	6
Deferred shares of £0.0001 each	**967**	967
	978	978

Amounts presented in liabilities

	2014 £'000	2013 £'000
Preferred shares of £0.0001 each	**29**	29

a) The Ordinary Shares and A Ordinary Shares of £0.0001 carry one vote each. Voting rights on the Preferred Shares are calculated on an as converted basis. Any individual holder of Preferred Shares may at any time convert the whole of his Preferred Shares into Ordinary Shares. The rate of conversion shall be one Ordinary Share for each Preferred Share held. The deferred shares do not convey a right to vote.

b) Dividends, accruing from the date of subscription, are payable in respect of the Preferred Shares (Fixed Dividends) at an aggregate amount of £68,800 per annum. This dividend is payable each year on 17 June.

Dividends do not accrue on Ordinary Shares or A Ordinary Shares. Their payment depends on a recommendation by the directors. No Ordinary Dividend is payable if there are arrears of any other dividends.

No dividends are payable on the deferred shares.

Notes *(continued)*

13 Share capital *(continued)*

c) At any time after 19 February 2012, upon a vote by 75% or more of the Preferred Shares, they shall be redeemed at £0.003 per share.

d) On liquidation or capital reduction, the assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority:

First to the holders of the Preferred Shares £0.006 per share together with a sum equal to any arrears or accruals of the Fixed Dividend and if there is a shortfall the proceeds shall be distributed to the holders of the Preferred Shares in proportion to the amounts due on each share held;

Second in paying to the holders of Equity Shares (Ordinary Shares and A Ordinary Shares) in proportion to the numbers of Equity Shares by each with the holders of the Preferred Shares participating on an as converted basis until the holders of the Equity shares have received a sum equal to £1,000,000 per share.

Third, any remaining assets shall be distributed to the holders of deferred shares pro rata based on the number of deferred shares held by each.

Notes *(continued)*

14 Reserves

Group

	Share premium account £'000	Capital redemption reserve	Other consolidation reserve	Profit and loss account £'000
At beginning of year	3,029	633	15,410	(21,584)
Loss for the year	-	-	-	(1,195)
Foreign exchange on retranslation of foreign subsidiaries	-	-	-	(181)
At end of year	3,029	633	15,410	(22,960)

Company

	Share premium account £'000	Profit and loss account £'000
At beginning of year	3,029	(103)
Loss for the year	-	(166)
At end of year	3,029	(269)

Notes *(continued)*

15 Reconciliation of movements in shareholders' deficit

Group

	2014 £'000	2013 £'000
Loss for the year	**(1,195)**	(1,411)
Other recognised gains and losses relating to the year (net)	**(181)**	146
Net increase in shareholders' deficit	**(1,376)**	(1,265)
Opening shareholders' deficit	**(1,534)**	(269)
Closing shareholders' deficit	**(2,910)**	(1,534)

Company

	2014 £'000	2013 £'000
Loss for the year	**(166)**	(69)
Net decrease in shareholders' funds	**(166)**	(69)
Opening shareholders' funds	**4,537**	4,606
Closing shareholders' funds	**4,371**	4,537

16 Pensions

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £94,000 *(2013: £87,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year *(2013: £nil)*.

Notes *(continued)*

17 Commitments under operating leases

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

	2014 Land and buildings £'000	**2014 IT services £'000**	2013 Land and buildings £'000	2013 IT services £'000
Operating leases which expire:				
Within 1 year	-	**179**	-	16
2 to 5 years	**54**	-	54	361
	54	**179**	54	377

18 Related party transactions

Consultancy fees of £30,000 *(2013: £30,000)* were paid by Elateral Holdings Ltd to Albion Ventures LLP and LMS Capital Plc who manage the institutional investor shareholdings in Elateral Group Ltd.

At 31 March 2014 the company had loans payable to the company's major shareholders Westpool Investment Trust plc and Kings Arms Yard VCT plc of £200,000 *(2013: £nil)*. Interest is charged at 12%.

19 Employee share option schemes and trusts

The company operates an Employee Share Option Scheme (ESOS) and an Employee Share Option Trust (ESOT). The shares held within these schemes are for distribution to the employees of the company and its subsidiaries. Any person who is an employee or director of the company, or any of its subsidiaries, at the relevant granting date is eligible to be granted options under these schemes. The associated costs of establishing and administering these schemes are expensed directly to the profit and loss account of the company as they arise.

20 Ultimate controlling party

There is no single controlling party.