

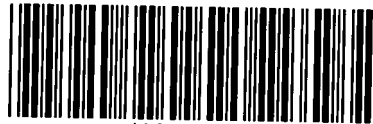
Registered number: 07014587

CROWDCUBE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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CROWDCUBE LIMITED

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CROWDCUBE LIMITED

COMPANY INFORMATION

Directors	D M Westlake T B Bunting L J Lang W Simmons S Williams (appointed 3 October 2016)
Company secretary	P Massey
Registered number	07014587
Registered office	The Innovation Centre University Of Exeter Rennes Drive Exeter Devon EX4 4RN

CROWDCUBE LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors present the Strategic Report for Crowdcube Limited ("the company") and its subsidiary undertakings (together "the group") for the year ended 30 September 2016.

Business review

The principal activity of the group is the provision of a crowdfunding platform. During the year both the number of deals completed and average size of deal increased driving an increase in the value of funds successfully raised through the platform. Revenue generated by the Group increased by 48% in the year to £3,974,464 (2015: £2,691,422).

The Group continued to invest for growth primarily through further investment in its team with the average number of employees throughout the year of 85, up from 54 in the previous year. The Group made an operating loss for the year of £5,393,109 compared to an operating loss of £5,012,284 in the prior year.

The Group successfully raised £7,696,160 of financing from its share issue in September 2016 of which £6,696,160 was raised from crowd investors via the Crowdcube platform. At the balance sheet date the Group's net cash position was £8,685,482 (2015: £4,944,132).

Principal risks and uncertainties

Competition risk

The group operates in a competitive market and faces competition from both other crowdfunding platforms and other sources of finance in attracting potential issuers to the platform.

Brexit risk

Both Brexit, and period leading up to Brexit, could have a negative impact on the group. In particular, the uncertainty regarding Brexit may result in some potential issuers delaying plans to raise funds via the platform.

Regulatory risk

The group is regulated by the Financial Conduct Authority in the UK and the National Securities Markets Commission in Spain. The withdrawal of regulatory authorisations, or the transfer of regulatory oversight to a new regulator, could require the group to cease or modify a significant part of its operations.

Financial key performance indicators

The Directors and management team receive a wide range of management information including comparative against budget and the previous period. The principal measures that are reviewed are:

- Number and value of deals launched
- Success rates – the percentage of deals launched which reach their target raise amount
- Value of investment through the platform
- No. of active members and investors
- Revenue
- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Operating cash flows and cash position

This report was approved by the board on *26th April 2017* and signed on its behalf by:



D M Westlake
Director

CROWDCUBE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors present their annual report and the audited financial statements for the year ended 30 September 2016.

Results and dividends

The loss for the financial year amounted to £5,362,321 (2015: £5,012,282).

No dividends were paid during the year (2015: £Nil).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

D M Westlake
T B Bunting
L J Lang
S Nicol (resigned 16 January 2016)
W Simmons
S Williams (appointed 3 October 2016)

Financial risk management

There is little credit risk as the majority of funds due to the group are collected at source on completion of successful deals. Where credit risk does arise the Group has active credit control procedures in place.

With regard to liquidity risk the group actively manages cash and prepares rolling cash flow forecasts covering the next 12 months which are updated on a monthly basis. The group maintains an appropriate level of cash to settle all financial obligations as they fall due and to meet planned activities.

Future developments

The Group remains focussed on leading the equity crowdfunding markets in both the UK and Spain. Post year end the Company appointed Simon Williams as Chairman. Simon has over 30 years of banking and investment experience and has been a long-term supporter of fintech, having successfully invested in, and taken selective Board positions with, a number of fintech businesses.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). 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 for the Group's financial statements and then 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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on *26th April 2017* and signed on its behalf by:



D M Westlake
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWDCUBE LIMITED

Report on the financial statements

Our opinion

In our opinion, Crowdcube Limited's group and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2016 and of the group's loss and cash flows 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 30 September 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWDCUBE LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page , 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Sue Morling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date: 27 April 2017

CROWDCUBE LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Note	2016 £	2015 £
Turnover	5	3,974,464	2,691,422
Cost of sales		(1,893,597)	(1,167,286)
Gross profit		2,080,867	1,524,136
Administrative expenses		(7,473,976)	(6,536,420)
Operating loss	6	(5,393,109)	(5,012,284)
Income from participating interests		31,189	-
Interest receivable and similar income	11	522	2
Interest payable and similar charges	12	(923)	-
Loss on ordinary activities before taxation		(5,362,321)	(5,012,282)
Loss for the financial year		(5,362,321)	(5,012,282)
Movement on foreign exchange		9,640	(11,217)
Other comprehensive income/(expense) for the financial year		9,640	(11,217)
Total comprehensive expense for the financial year		(5,352,681)	(5,023,499)

All results derive from continuing operations.

The notes on pages 15 to 36 form part of these financial statements.

CROWDCUBE LIMITED
REGISTERED NUMBER: 07014587

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	15		375,237		469,046
Tangible assets	16		110,236		100,089
Investments	17		81,189		-
			<u>566,662</u>		<u>569,135</u>
Current assets					
Debtors: amounts falling due after more than one year	18	-		1,358	
Debtors: amounts falling due within one year	18	637,465		492,298	
Current asset investments	19	10,459		6,222	
Cash at bank and in hand	20	8,685,482		4,944,254	
		<u>9,333,406</u>		<u>5,444,132</u>	
Creditors: amounts falling due within one year	21		(872,423)		(796,573)
Net current assets			<u>8,460,983</u>		<u>4,647,559</u>
Total assets less current liabilities			<u>9,027,645</u>		<u>5,216,694</u>
Capital and reserves					
Called up share capital	23		222,920		189,084
Share premium account	24		20,969,648		11,796,143
Deferred consideration reserve	24		-		205,757
Foreign exchange reserve	24		(1,577)		(11,217)
Share based payment reserve	24		576,777		414,729
Profit and loss account	24		(12,740,123)		(7,377,802)
Total shareholders' funds			<u>9,027,645</u>		<u>5,216,694</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

26th April 2017 by:



D M Westlake

Director

The notes on pages 15 to 36 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2016

		2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	16		102,496		97,123
Investments	17		2,467,271		687,271
			<u>2,569,767</u>		<u>784,394</u>
Current assets					
Debtors: amounts falling due after more than one year	18	227,495		20,110	
Debtors: amounts falling due within one year	18	608,073		491,520	
Current asset investments	19	10,459		6,222	
Cash at bank and in hand	20	6,781,612		4,758,485	
		<u>7,627,639</u>		<u>5,276,337</u>	
Creditors: amounts falling due within one year	21	(832,623)		(789,852)	
Net current assets			6,795,016		4,486,485
Total assets less current liabilities			<u>9,364,783</u>		<u>5,270,879</u>
Capital and reserves					
Called up share capital	23		222,920		189,084
Share premium account	24		20,969,648		11,796,143
Deferred consideration reserve	24		-		205,757
Share based payment reserve	24		576,777		414,729
Profit and loss account	24		(12,404,562)		(7,334,834)
Total shareholders' funds			<u>9,364,783</u>		<u>5,270,879</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

26th April 2017 by:


D M Westlake

Director

CROWDCUBE LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Called up share capital	Share premium account	Deferred consideration reserve	Foreign exchange reserve	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£	£	£	£
At 1 October 2015	189,084	11,796,143	205,757	(11,217)	414,729	(7,377,802)	5,216,694
Comprehensive expense for the financial year							
Loss for the financial year	-	-	-	-	-	(5,362,321)	(5,362,321)
Movement on foreign exchange	-	-	-	9,640	-	-	9,640
Other comprehensive income for the financial year	-	-	-	9,640	-	-	9,640
Total comprehensive income/(expense) for the financial year	-	-	-	9,640	-	(5,362,321)	(5,352,681)
Contributions by and distributions to owners							
Shares issued during the year	33,836	9,173,505	-	-	-	-	9,207,341
Share options	-	-	(205,757)	-	-	-	(205,757)
Share based payment	-	-	-	-	162,048	-	162,048
Total transactions with owners	33,836	9,173,505	(205,757)	-	162,048	-	9,163,632
At 30 September 2016	222,920	20,969,648	-	(1,577)	576,777	(12,740,123)	9,027,645

CROWDCUBE LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

	Called up share capital	Share premium account	Deferred consideration reserve	Foreign exchange reserve	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£	£	£	£
At 1 October 2014	168,126	6,745,233	-	-	206,822	(2,365,520)	4,754,661
Comprehensive expense for the financial year							
Loss for the financial year	-	-	-	-	-	(5,012,282)	(5,012,282)
Movement on foreign exchange	-	-	-	(11,217)	-	-	(11,217)
Other comprehensive expense for the financial year	-	-	-	(11,217)	-	-	(11,217)
Total comprehensive expense for the financial year	-	-	-	(11,217)	-	(5,012,282)	(5,023,499)
Contributions by and distributions to owners							
Shares issued during the year	19,824	4,775,295	-	-	-	-	4,795,119
Transfer on purchase of subsidiary	1,134	275,615	205,757	-	-	-	482,506
Share based payment	-	-	-	-	207,907	-	207,907
Total transactions with owners	20,958	5,050,910	205,757	-	207,907	-	5,485,532
At 30 September 2015	189,084	11,796,143	205,757	(11,217)	414,729	(7,377,802)	5,216,694

The notes on pages 15 to 36 form part of these financial statements.

CROWDCUBE LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Called up share capital	Share premium account	Deferred consideration reserve	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£	£	£
At 1 October 2015	189,084	11,796,143	205,757	414,729	(7,334,834)	5,270,879
Comprehensive expense for the financial year						
Loss for the financial year	-	-	-	-	(5,069,728)	(5,069,728)
Total comprehensive expense for the financial year	-	-	-	-	(5,069,728)	(5,069,728)
Contributions by and distributions to owners						
Shares issued during the year	33,836	9,173,505	-	-	-	9,207,341
Share options	-	-	(205,757)	-	-	(205,757)
Share based payment	-	-	-	162,048	-	162,048
Total transactions with owners	33,836	9,173,505	(205,757)	162,048	-	9,163,632
At 30 September 2016	222,920	20,969,648	-	576,777	(12,404,562)	9,364,783

CROWDCUBE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Called up share capital	Share premium account	Deferred consideration reserve	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£	£	£
At 1 October 2014	168,126	6,745,233	-	206,822	(2,365,510)	4,754,671
Comprehensive expense for the financial year						
Loss for the financial year	-	-	-	-	(4,969,324)	(4,969,324)
Total comprehensive expense for the financial year	-	-	-	-	(4,969,324)	(4,969,324)
Contributions by and distributions to owners						
Shares issued during the year	20,958	5,050,910	-	-	-	5,071,868
Transfer on purchase of subsidiary	-	-	205,757	-	-	205,757
Share based payment	-	-	-	207,907	-	207,907
Total transactions with owners	20,958	5,050,910	205,757	207,907	-	5,485,532
At 30 September 2015	189,084	11,796,143	205,757	414,729	(7,334,834)	5,270,879

The notes on pages 15 to 36 form part of these financial statements.

CROWDCUBE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
Loss for the financial year	(5,362,321)	(5,012,282)
Adjustments for:		
Amortisation of intangible assets	93,809	-
Depreciation of tangible assets	45,204	27,437
Interest paid	923	-
Interest received	(522)	(2)
(Increase)/decrease in debtors	(147,507)	170,756
Increase in creditors	75,850	202,273
Corporation tax	3,698	-
Share based payment charge	162,048	207,907
Unrealised currency translation	9,640	-
Income from participating interests	(31,189)	-
Net cash generated from operating activities	<u>(5,150,367)</u>	<u>(4,403,911)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(55,351)	(66,818)
Purchase of short term unlisted investments	(4,237)	(4,987)
Purchase of share in associates	(50,000)	-
Interest received	522	2
Purchase of subsidiary	-	(2,638)
Net cash from investing activities	<u>(109,066)</u>	<u>(74,441)</u>
Cash flows from financing activities		
Issue of ordinary shares	9,001,584	4,795,062
Interest paid	(923)	-
Net cash used in financing activities	<u>9,000,661</u>	<u>4,795,062</u>
Net increase in cash and cash equivalents	<u>3,741,228</u>	<u>316,710</u>
Cash and cash equivalents at beginning of year	4,944,254	4,625,573
Foreign exchange gains and losses	-	1,971
Cash and cash equivalents at the end of year	<u><u>8,685,482</u></u>	<u><u>4,944,254</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>8,685,482</u></u>	<u><u>4,944,254</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

1. General information

Crowdcube Limited (the 'Company') is a company incorporated and domiciled in the UK. The address of the registered office is: The Innovation Centre, University of Exeter, Rennes Drive, Exeter, Devon EX4 4RN. The principal activity of the Company and its subsidiaries (collectively, the "Group") is the provision of a crowdfunding platform.

2. Statement of compliance

The group and individual financial statements of Crowdcube Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 30.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 4).

The following principal accounting policies have been applied consistently throughout the year:

3.2 Going concern

This historical financial information relating to the Group has been prepared on the going concern basis.

After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going in concern basis in preparing the group's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

3. Accounting policies (continued)

3.3 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 30 September.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3.4 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Balance Sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

3. Accounting policies (continued)

3.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable and comprises commissions earned on successful raises and administrative fees, net of value added taxes.

Revenue is recognised when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the entity. For the Group, this is determined to be once the funding requirement of a raise has been achieved, following a 7 day cool off period, in which investors can withdraw. Since the revenue earned is contingent upon a successful raise, the recognition of revenue is deferred until this point.

3.6 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase combination over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over an expected useful life of 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

3.7 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

3. Accounting policies (continued)

3.7 Tangible assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	25%
Computer equipment	-	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

3.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

3.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

3. Accounting policies (continued)

3.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

3. Accounting policies (continued)

3.14 Foreign currency translation

Functional and presentation currency

The Group financial statements are presented in pound sterling. The Company's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expense) / income.' All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses) / gains'.

Translation

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

3.15 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.16 Operating leases

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

3. Accounting policies (continued)

3.17 Employee benefits

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Group operates a defined contribution pension scheme for its employees. A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the scheme are held separately from the company in independently administered funds.

(iii) Share based payments

The Group operates share option schemes which allows key employees to acquire shares in the company. Where the group awards share options, the fair value of options granted is calculated at the grant date using the Black Scholes model. The model is internationally recognised as being appropriate to value employee share schemes but does require inputs based on best estimates from management. The resulting cost of the options is charged to the profit and loss account over the vesting period during which the recipient becomes unconditionally entitled to exercise the options, and credited to equity.

3.18 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

3. Accounting policies (continued)

3.19 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other

comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from the timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.20 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.21 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. It does not disclose transactions with members of the same group that are wholly owned. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

4. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires the directors to make significant judgements and estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Consolidated financial information.

Share based payments

The Group is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes but does require inputs based on best estimates from management. Details of management assumptions and estimates are detailed in note 8.

Impairment of intangible assets and goodwill

The Group considers whether intangible assets and / or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

5. Turnover

The whole of the turnover is attributable to the principal activity of the Company and its subsidiaries (collectively, the "Group") being the provision of a crowdfunding platform.

Analysis of turnover by country of destination:

	2016	2015
	£	£
United Kingdom	3,878,152	2,684,056
Rest of Europe	96,312	7,366
	<u>3,974,464</u>	<u>2,691,422</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

6. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible assets	43,298	27,437
Amortisation of intangible assets, including goodwill	93,809	-
Operating lease rentals	345,416	158,578
Impairment of trade debtors	685	7,123
Share based payment	162,048	207,907
	<u>162,048</u>	<u>207,907</u>

7. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	15,000	12,500
	<u>15,000</u>	<u>12,500</u>

Fees payable to the Group's auditors in respect of:

Audit of the Company's subsidiaries	4,500	4,100
Audit-related assurance services	-	1,500
Tax advisory services	14,000	13,825
Tax compliance services	7,250	9,700
All other services	74,500	14,560
	<u>100,250</u>	<u>43,685</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	3,930,018	2,536,492
Social security costs	479,274	289,467
Other pension costs	91,303	-
	<u>4,500,595</u>	<u>2,825,959</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 Number	2015 Number
Employees	<u>85</u>	<u>54</u>

9. Directors' remuneration

	2016 £	2015 £
Aggregate director's emoluments	<u>413,480</u>	<u>405,367</u>

The highest paid director received remuneration of £132,875 (2015: £127,000).

During the year share options were granted to one director. Another director exercised share options in the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**
10. Share based payments

The Group operates a number of share based payment schemes. All options are granted with a fixed exercise price, and expire within 10 years of the date of grant. There is no entitlement to dividends attached to the options. Employees are required to remain in employment until the shares are exercised. Vesting conditions of options granted over the period are as follows:

2016

731,051 options granted, vest in equal instalments over 4 years.

2015

972,489 options granted, vest in equal annual instalments over 4 years.

Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

A reconciliation of share option movements over the year to 30 September is shown below:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 October	1,525,032	£0.22	625,195	£0.12
Granted	731,051	£0.45	972,489	£0.26
Exercised	(39,027)	£0.22	(6,240)	£0.01
Forfeited	(679,293)	£0.27	(66,412)	£0.09
Outstanding as at 30 September	1,537,763	£0.30	1,525,032	£0.22
Exercisable as at 30 September	256,389	£0.24	48,580	£0.15

The total charge for the period expensed to the profit and loss account was £162,048 (2015: £207,907).

The fair value of the options is estimated at the grant date using a Black-Scholes option-pricing model that uses assumptions noted in the table below.

	Year to 30 September 2016	Year to 30 September 2015
Expected life of options	4	4
Range of exercise prices (per option)	£0.45	£0.15
Market value of underlying shares	£2.43	£1.06
Risk free rate	0.5%	0.5%
Expected share price volatility	40%	40%
Range of fair values per option	£1.99	£0.81

The group uses historical data to estimate option exercise and employee termination within the valuation model. The risk free rates for the periods within the contractual life of the option are based on the UK base rates at the time of the grant. Expected volatilities are based on implied volatilities as determined by review of information available for companies based in similar sectors. The average option life is expected to be 4 years from grant date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**
11. Interest receivable and similar income

	2016 £	2015 £
Bank interest receivable	522	2
	<u>522</u>	<u>2</u>

12. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	817	-
Other loan interest payable	106	-
	<u>923</u>	<u>-</u>

13. Tax on loss on ordinary activities**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.50%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before taxation	(5,362,321)	(5,012,282)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.50%)	(1,072,464)	(1,027,518)
Effects of:		
Unrelieved tax losses carried forward	1,072,464	1,027,518
Total tax charge for the year	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

13. Tax on loss on ordinary activities (continued)

Factors that may affect future tax charges

The UK Government introduced annual reductions in the UK corporation tax rate culminating in a rate of 20% for the 2015/16 tax year. Subsequent budgets have announced further changes to and reductions in the rate culminating in a rate of 17% for 2020/21.

As at 30 September 2016 the group had £11,409,061 (2015: £6,866,710) of tax losses to carry forward against suitable future trading profits.

14. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £5,069,728 (2015: loss of £4,969,323).

15. Intangible assets

Group

	Goodwill £
Cost	
At 1 October 2015	469,046
At 30 September 2016	469,046
Accumulated amortisation	
Charge for the year	93,809
Net book value	
At 30 September 2016	375,237
At 30 September 2015	469,046

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

16. Tangible assets

Group

	Office equipment £	Computer equipment £	Total £
Cost or valuation			
At 1 October 2015	147,768	56,104	203,872
Additions	53,445	-	53,445
At 30 September 2016	201,213	56,104	257,317
Accumulated depreciation			
At 1 October 2015	49,530	54,253	103,783
Charge for the year	43,298	-	43,298
At 30 September 2016	92,828	54,253	147,081
Net book value			
At 30 September 2016	108,385	1,851	110,236
At 30 September 2015	98,238	1,851	100,089

Company

	Office equipment £	Computer equipment £	Total £
Cost or valuation			
At 1 October 2015	146,653	54,253	200,906
Additions	48,671	-	48,671
At 30 September 2016	195,324	54,253	249,577
Accumulated depreciation			
At 1 October 2015	49,530	54,253	103,783
Charge for the year	43,298	-	43,298
At 30 September 2016	92,828	54,253	147,081
At 30 September 2016	102,496	-	102,496
At 30 September 2015	97,123	-	97,123

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

17. Investments

Group

	Investments in associates £
Cost or valuation	
Additions	50,000
Gain on disposal	327,879
Share of losses for the year	(296,690)
At 30 September 2016	<u>81,189</u>
Net book value	
At 30 September 2016	<u><u>81,189</u></u>
At 30 September 2015	<u><u>-</u></u>

Details of the principal subsidiaries, joint ventures and associates can be found under note 29.

Company

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost or valuation			
At 1 October 2015	687,271	-	687,271
Additions	1,730,000	50,000	1,780,000
At 30 September 2016	<u>2,417,271</u>	<u>50,000</u>	<u>2,467,271</u>
Net book value			
At 30 September 2016	<u><u>2,417,271</u></u>	<u><u>50,000</u></u>	<u><u>2,467,271</u></u>
At 30 September 2015	<u><u>687,271</u></u>	<u><u>-</u></u>	<u><u>687,271</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

18. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due after more than one year				
Amounts owed by group undertakings	-	-	227,495	19,710
Loan receivable	-	1,358	-	400
	-	1,358	227,495	20,110
	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due within one year				
Trade debtors	54,158	205,383	24,766	94,739
Amounts owed by group undertakings	-	-	-	116,453
Other debtors	583,307	283,217	583,307	280,328
Tax recoverable	-	3,698	-	-
	637,465	492,298	608,073	491,520

Trade debtors are stated after provisions for impairment of £685 (2015: £7,123).

19. Current asset investments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Unlisted investments	10,459	6,222	10,459	6,222

Unlisted investments represents notional value holdings in clients of the company. Investments are valued at cost less provision for impairment.

20. Cash at bank and in hand

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	8,685,482	4,944,254	6,781,612	4,758,485

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

21. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	239,604	449,099	199,806	449,099
Other taxation and social security	128,780	134,946	128,780	132,223
Other creditors	504,039	212,528	504,037	208,530
	872,423	796,573	832,623	789,852

22. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	647,924	496,181	846,027	517,852
Financial liabilities				
Financial liabilities measured at amortised cost	(681,417)	(599,406)	(641,620)	(595,408)

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial Liabilities measured at amortised cost comprise other loans, trade creditors and other creditors.

23. Called up share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
114,239,564 (2015: 10,222,000) A Ordinary shares of £0.001 (2015: £0.01) each	114,240	102,220
37,990,090 (2015: 3,576,555) A Preference shares of £0.001 (2015: £0.01) each	37,990	35,766
42,541,180 (2015: 3,049,237) B Investment shares of £0.001 (2015: £0.01) each	42,541	30,492
24,726,930 (2015: 2,060,578) B Preference shares of £0.001 (2015: £0.01) each	24,727	20,606
3,422,313 (2015: Nil) C preference shares of £0.001 each	3,422	-
	222,920	189,084

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

23. Called up share capital (continued)

On 6 October 2015, the company issued 84,796 options to the previous shareholders of Crowdcube Spain, S.L. The options vested immediately and were exercised on 22 October 2015. As a result, the deferred consideration reserve was converted into fully paid ordinary shares via the issue of a total of 84,796 £0.01 A Ordinary shares.

On 22 October 2015 217,803 EMI options were granted to purchase A Ordinary shares with a nominal value of £0.01 per share for an exercise price of £0.45 to various employees of the company.

On 4 November 2015 412,115 B Preference shares with a nominal value of £0.01 per share were issued at £2.4265 per share.

On 4 December 2015 43,530 EMI options were granted to purchase A Ordinary shares with a nominal value of £0.01 per share for an exercise price of £0.45 to various employees of the Company.

On 4 January 2016, 5,388 EMI options were granted to purchase A Ordinary shares with a nominal value of £0.01 per share for an exercise price of £0.45 to various employees.

On 15 February 2016 212,944 EMI options were granted to purchase A Ordinary shares with a nominal value of £0.01 per share for an exercise price of £0.45 to various employees of the company.

On 18 March 2016, 43,272 EMI options were granted to purchase A Ordinary shares with a nominal value of £0.01 per share for an exercise price of £0.45 to various employees of the company.

On 16 May 208,114 EMI options were granted to purchase A Ordinary shares with a nominal value of £0.01 per share for an exercise price of £0.45 to various employees.

On 11 July 2016 a warrant to acquire 222,454 A Preference shares with a nominal value of £0.01 per share for £2.24765 was exercised.

On 14 July 2016, by shareholder resolution, each A Preference share of £0.01 each, B Preference share of £0.01 each, A Ordinary share of £0.01 each and B investment share of £0.01 each were subdivided into 10 A Preferences shares of £0.001 each, 10 B Preference shares of £0.001 each, 10 A Ordinary shares of £0.001 each and 10 B Investment shares of £0.001 each respectively.

On 22 September 2016 the following share issues were made:

10,866,214 A Ordinary shares with a nominal value of £0.001 per share were issued at £0.29 per share.

12,048,810 B Investment shares with a nominal value of £0.001 per share were issued at £0.29 per share.

3,422,313 C preference shares with a nominal value of £0.001 per share were issued at £0.29 per share.

Only A ordinary shareholders and Preference shareholders have the right to vote.

All classes of share rank pari passu as respects dividend distribution.

On return of assets on liquidation, reduction of capital, or otherwise the assets of the company remaining after payment of its liabilities are distributed first to holders of A preference shares, B preference shares and C preference shares on a pari passu basis, in priority to all other shareholders, an amount equal to their subscription price, any unpaid dividends and in addition to all shareholders their pro rata share of £100. Thereafter, the balance is distributed to each of the holders of A ordinary shares and B investment shares.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

24. Reserves

Share premium account

Share premium represents the amount subscribed for share capital in excess of the nominal value.

Share based payment reserve

Share based payment reserve represents the fair value of options granted at grant date.

Foreign exchange reserve

Foreign exchange reserve represents foreign exchange variances on acquisition of Crowdcube Spain, S.L.

Deferred consideration reserve

In the prior year share options were issued to previous owners of Crowdcube Spain, S.L. and were treated as deferred consideration. During the year the reserve was converted into fully paid ordinary shares.

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the Group.

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £91,303 (2015: £-).

26. Commitments under operating leases

At 30 September the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	141,484	33,833
Later than 1 year and not later than 5 years	14,749	24,917
	<u>156,233</u>	<u>58,750</u>

The Group had no other off-balance sheet arrangements.

27. Transactions with directors

At the year end, D Westlake owed the company £39,098 (2015: £39,098) in connection with drawings and unpaid share capital. This amount is included within other debtors.

At the year end, L Lang owed the company £19,079 (2015: £19,079) in connection with drawings and unpaid share capital. This amount is shown in other debtors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016****28. Controlling party**

The company is not under the control of any one individual.

29. Subsidiaries and related undertakings

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Crowdcube Capital Limited	UK	Ordinary	100 %	Provision of FCA regulated crowdfunder activities
Crowdcube Spain, S.L.	Spain	Ordinary	100 %	Provision of crowdfunding activities
JP Nominees Limited	UK	Ordinary	100 %	Nominee company
Crowdcube Nominees Limited	UK	Ordinary	100 %	Nominee company
Crowdfunder Limited	UK	Ordinary	29.97 %	Provision of crowdfunding activities

All the above subsidiaries are included in the consolidation. The Company's investments in all subsidiaries is direct ownership.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

30. First time adoption of FRS 102

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 1 October 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 October 2014

	Note	Group £	Company £
Equity at 1 October 2014 under previous UK GAAP		4,754,661	4,754,666
Equity shareholders funds at 1 October 2014 under FRS 102		4,754,661	4,754,666

Reconciliation of equity at 30 September 2015

	Note	Group £	Company £
Equity at 30 September 2015 under previous UK GAAP		5,216,694	5,270,879
Equity shareholders funds at 30 September 2015 under FRS 102		5,216,694	5,270,879

Reconciliation of profit and loss account for the year ended 30 September 2015

	Group £	Company £
Loss for the year under UK GAAP	(4,804,375)	(4,761,412)
Share based payment	(207,907)	(207,907)
Loss for the year ended 30 September 2015 under FRS 102	(5,012,282)	(4,969,319)

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 Previously, under UK GAAP, the company has been exempt from recognising share based payments under the Financial Reporting Standard for Smaller Entities. With the adoption of FRS 102 the company is now recognising share based payments (the Company grant share options to certain employees). Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share or options that will vest.