

**Registered number: 06324658**

## **The Currency Cloud Group Limited**

**Directors' report and financial statements  
for the year ended 31 December 2013**

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## **The Currency Cloud Group Limited**

### **Company Information**

#### **Directors**

N Verdon  
M Laven  
J White  
H Schricke  
S Park  
F Destin (resigned 14 May 2014)  
R Moore (appointed 14 May 2014)

#### **Company secretary**

D Mason

#### **Registered number**

06324658

#### **Registered office**

First Floor  
164 Bishopsgate  
London  
EC2M 4LX

#### **Independent auditors**

Reeves & Co LLP  
Chartered Accountants and Statutory Auditors  
Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

# **The Currency Cloud Group Limited**

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## **The Currency Cloud Group Limited**

### **Directors' report for the year ended 31 December 2013**

The directors present their report and the financial statements for the year ended 31 December 2013.

#### **Principal activities**

The principal activity of the group during the year was that of the provision of international payments and currency conversion services via in-house developed technology. This platform is offered to White Label Partners as well as being offered as an Application Program Interface (API).

#### **Results**

The loss for the year, after taxation and minority interests, amounted to £1,975k (2012: £1,642k loss).

#### **Directors**

The directors who served during the year were:

N Verdon  
M Laven  
J White  
H Schricke  
S Park  
F Destin (resigned 14 May 2014)

R Moore was appointed after the year end on 14 May 2014.

#### **Matters covered in the Strategic report**

Items required under Schedule 7 to be disclosed in the directors' report are set out in the strategic report in accordance with s.414C(11) CA 2006.

#### **Auditors**

The auditors, Reeves & Co LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

#### **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 that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that 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.

## **The Currency Cloud Group Limited**

### **Directors' report for the year ended 31 December 2013**

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- 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.

This report was approved by the board on *17 July 2014* and signed on its behalf.



M Laven  
Director

## **The Currency Cloud Group Limited**

### **Group strategic report for the year ended 31 December 2013**

#### **Business review**

The Board is pleased to report continued growth with turnover increasing by 328% to £1.705 billion (2012: £398 million) and gross profits grow 144% to £1,693k (2012: £694k) in the financial year. The Group saw monthly turnover grow during the year from £67m in January to £225m in December.

The Board looks to build further on the progress achieved across the group to date and will look to increase its client base and product offering in the year ahead.

During the year The Group raised a further £5,000k in investment, this investment coming from current investors, Atlas Ventures a Boston based venture firm), Notion Capital, Anthemis Holdings (both London based Venture firms) and XAnge (a Paris based venture arm of the French Post Office).

The influx of capital allowed The Group to make significant investment in the recruitment of senior staff and technology infrastructure. Total administrative expenses for the year were £3,825k and the resulting loss after tax was £1,965k. Due to the investment, The Group ended the year with over £5,500k of non-customer balance funds in the bank.

The Group continues to invest in the research and development of its international payment platform, so as to deliver a market leading platform to White Label Partners as well as being offered as an Application Program Interface (API). The platform development will make the process on making international payments both more efficient and cheaper for The Currency Cloud Limited's clients and partners.

In 2014, the group expects to continue investing in the development of its international infrastructure and to focus on the growth of its customer base. Therefore it is expected to continue to make losses during the next year. The shareholders are committed to the growth of the business and the plans of the board. Additional funding will be made available to support the development of the business.

#### **Principal risks and uncertainties**

The Board of Directors is responsible for setting financial risk management policy and objectives, and approves the parameters within which the various aspects of financial risk management are operated.

The key financial risk for the group is foreign currency risk that arises through the provision of foreign exchange services. The group seeks to reduce its foreign exchange exposure arising in various currencies by putting in place a robust hedging program.

#### **Earnings growth**

There is a risk to shareholder value if the group is unable to grow in its key business areas. Its success is dependent upon the correct strategies being identified and implemented by a capable management team as well as external factors.

#### **Operational risk**

This is the risk of a direct or indirect loss resulting from the inadequacies or failures in project, processes or controls due to technology, staff, organization or external factors. To monitor and control operational risk, the group maintains a system of comprehensive policies and a control framework which is designed to provide a sound and well-controlled operational environment. Key information regarding governance and the management of risk are reported to the Board. This enables management to monitor operational risk at appropriate levels.

## **The Currency Cloud Group Limited**

### **Group strategic report (continued) for the year ended 31 December 2013**

#### **Liquidity risk**

This is the risk of insufficient liquid funds being available to meet the group's working capital requirements. The Group monitors its liquidity levels and has mitigating controls in place to reduce risk of a liquidity event.

#### **Euro**

The replacement of Sterling by the Euro as the domestic currency of the UK would have an impact on the earnings of the company. The directors consider a referendum on this issue is unlikely to take place in the short to medium term.

#### **Credit risk**

This is the risk of losses being incurred through a client or other third party being unable to meet their obligations to the company. The group has robust policies in place to review substantial credit exposures prior to entering into a transaction with a client and monitor open exposures.

#### **Going concern**

After making enquiries, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

This report was approved by the board on *17 July 2014* and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Michael Laven', written over a horizontal line.

**M Laven**  
Director

## **The Currency Cloud Group Limited**

### **Independent auditors' report to the shareholders of The Currency Cloud Group Limited**

We have audited the financial statements of The Currency Cloud Group Limited for the year ended 31 December 2013, set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' 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 auditors**

As explained more fully in the Directors' responsibilities statement, 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**

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 parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**The Currency Cloud Group Limited**

**Independent auditors' report to the shareholders of The Currency Cloud Group Limited**

**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.



James O'Brien FCA (Senior Statutory Auditor)  
for and on behalf of

**Reeves & Co LLP**

Chartered Accountants and Statutory Auditors

Third Floor

24 Chiswell Street

London

EC1Y 4YX

Date: 23 July 2014

**The Currency Cloud Group Limited**

**Consolidated profit and loss account  
for the year ended 31 December 2013**

	<b>Note</b>	<b>2013 £000</b>	<b>2012 £000</b>
<b>Turnover</b>	<b>1</b>	<b>1,704,680</b>	397,505
Cost of sales		<u>(1,702,987)</u>	<u>(396,811)</u>
<b>Gross profit</b>	<b>3</b>	<b>1,693</b>	694
Administrative expenses		<u>(3,825)</u>	<u>(2,443)</u>
<b>Operating loss</b>	<b>3</b>	<b>(2,132)</b>	(1,749)
Interest receivable and similar income		<u>1</u>	<u>3</u>
<b>Loss on ordinary activities before taxation</b>		<b>(2,131)</b>	(1,746)
Tax on loss on ordinary activities	<b>8</b>	<u>158</u>	<u>106</u>
<b>Loss on ordinary activities after taxation</b>		<b>(1,973)</b>	(1,640)
Minority interests		<u>(1)</u>	<u>(3)</u>
<b>Loss for the financial year</b>	<b>15</b>	<b><u>(1,974)</u></b>	<b><u>(1,643)</u></b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

The notes on pages 11 to 22 form part of these financial statements.

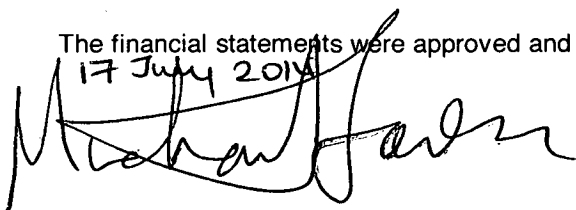
**The Currency Cloud Group Limited**  
**Registered number: 06324658**

**Consolidated balance sheet**  
**as at 31 December 2013**

	Note	£000	2013 £000	2012 £000
<b>Fixed assets</b>				
Tangible assets	9		190	55
<b>Current assets</b>				
Debtors	11	781		296
Cash at bank and in hand		13,816		10,764
		<u>14,597</u>		<u>11,060</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(9,014)</u>		<u>(8,397)</u>
<b>Net current assets</b>			<u>5,583</u>	<u>2,663</u>
<b>Net assets</b>			<u>5,773</u>	<u>2,718</u>
<b>Capital and reserves</b>				
Called up share capital	14		8	6
Share premium account	15		10,545	5,547
Foreign exchange reserve	15		(1)	(1)
Other reserves	15		40	12
Profit and loss account	15		<u>(4,826)</u>	<u>(2,852)</u>
<b>Shareholders' funds</b>	16		<u>5,766</u>	<u>2,712</u>
<b>Minority interests</b>	21		<u>7</u>	<u>6</u>
			<u>5,773</u>	<u>2,718</u>

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

17 July 2014



M Laven  
**Director**


The notes on pages 11 to 22 form part of these financial statements.

**The Currency Cloud Group Limited**  
**Registered number: 06324658**

**Company balance sheet**  
**as at 31 December 2013**

	Note	£000	2013 £000	£000	2012 £000
<b>Fixed assets</b>					
Investments	10		857		857
<b>Current assets</b>					
Debtors	11	4,354		3,113	
Cash at bank		4,739		1,019	
		<u>9,093</u>		<u>4,132</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(12)</u>		<u>(14)</u>	
<b>Net current assets</b>			<u>9,081</u>		<u>4,118</u>
<b>Net assets</b>			<u>9,938</u>		<u>4,975</u>
<b>Capital and Reserves</b>					
Called up share capital	14		8		6
Share premium account	15		10,545		5,547
Other reserves	15		40		12
Profit and loss account	15		<u>(655)</u>		<u>(590)</u>
<b>Shareholders' funds</b>	16		<u>9,938</u>		<u>4,975</u>

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

17 JULY 2014  
  
**M Laven**  
 Director

The notes on pages 11 to 22 form part of these financial statements.

# The Currency Cloud Group Limited

## Consolidated cash flow statement for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Net cash flow from operating activities	22	(1,779)	5,141
Returns on investments and servicing of finance	23	30	17
Taxation		-	36
Capital expenditure and financial investment	23	(199)	(25)
<b>Cash (outflow)/inflow before financing</b>		<b>(1,948)</b>	<b>5,169</b>
Financing	23	5,000	2,000
<b>Increase in cash in the year</b>		<b>3,052</b>	<b>7,169</b>

## Reconciliation of net cash flow to movement in net funds/debt for the year ended 31 December 2013

	2013 £000	2012 £000
Increase in cash in the year	3,052	7,169
<b>Movement in net debt in the year</b>	<b>3,052</b>	<b>7,169</b>
Net funds at 1 January 2013	10,764	3,595
<b>Net funds at 31 December 2013</b>	<b>13,816</b>	<b>10,764</b>

The notes on pages 11 to 22 form part of these financial statements.

## **The Currency Cloud Group Limited**

### **Notes to the financial statements for the year ended 31 December 2013**

#### **1. Accounting policies**

##### **1.1 Basis of preparation of financial statements**

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

##### **1.2 Basis of consolidation**

The financial statements consolidate the accounts of The Currency Cloud Group Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired during the year are included from effective date of acquisition.

##### **1.3 Turnover**

Turnover comprises the gross value of foreign exchange transactions executed on behalf of the company's clients, consultancy fees and commissions. Foreign exchange transactions are recognised on a trade date basis and consultancy fees and commissions are recognised on an accruals basis. The cost to purchase currency is treated as a cost of sale. Fees charged to customers for the setup, customisation, and use of the company's platform are included in turnover and are recognised on an accruals basis.

##### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer equipment	-	Straight line over 3 years
Fixtures & fittings	-	Straight line over 3 years

##### **1.5 Investments**

Investments in subsidiaries are valued at cost less provision for impairment.

##### **1.6 Operating leases**

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

## The Currency Cloud Group Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 1. Accounting policies (continued)

##### 1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

##### 1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

##### 1.9 Research and development

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

##### 1.10 Amounts payable to clients

Amounts payable to clients comprise amounts receivable in advance from clients in respect of foreign currency transactions prior to the maturity date of a trade, currency owed to clients post maturity date awaiting settlement, and the market movements on client open trades.

#### 2. Turnover

A geographical analysis of turnover is as follows:

	2013 £000	2012 £000
United Kingdom	1,704,597	397,505
Rest of European Union	83	-
	<u>1,704,680</u>	<u>397,505</u>

## The Currency Cloud Group Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 3. Operating loss

The operating loss is stated after charging/(crediting):

	2013 £000	2012 £000
Depreciation of tangible fixed assets:		
- owned by the group	63	43
Operating lease rentals:		
- other operating leases	63	26
Difference on foreign exchange	(57)	43
Research & Development Expenditure	1,674	932
	<u>1,674</u>	<u>932</u>

#### 4. Auditors' remuneration

	2013 £000	2012 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	5	4
Fees payable to the company's auditor and its associates in respect of:		
The auditing of accounts of associates of the company	13	11
All other non-audit services not included above	3	-
	<u>13</u>	<u>11</u>

#### 5. Staff costs

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

	2013 £000	2012 £000
Wages and salaries	1,958	1,357
Social security costs	248	146
	<u>2,206</u>	<u>1,503</u>

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

	2013 No.	2012 No.
Directors	3	3
The Currency Cloud Limited	3	3
Sales	3	2
Marketing	3	1
Technology	11	6
Operations	3	2
Finance	2	0
	<u>28</u>	<u>17</u>



## The Currency Cloud Group Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 6. Directors' remuneration

	2013 £000	2012 £000
Emoluments	<u>427</u>	<u>442</u>

The highest paid director received remuneration of £210k (2012 - £212k).

#### 7. Exceptional items

2013 £000	2012 £000
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#### 8. Taxation

	2013 £000	2012 £000
UK corporation tax credit on loss for the year	<u>(158)</u>	<u>(106)</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012 - higher than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24%). The differences are explained below:

	2013 £000	2012 £000
Loss on ordinary activities before tax	<u>(2,131)</u>	<u>(1,746)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24%)	(495)	(419)

#### Effects of:

Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	28	70
Capital allowances for year in excess of depreciation	(31)	4
Utilisation of tax losses	(94)	(38)
Non-taxable income	-	(50)
Enhanced expenditure relief for research and development expenditure	(177)	(121)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(158)	(106)
Unrelieved tax losses carried forward	747	554
Adjustment in respect of provisions	22	-
<b>Current tax credit for the year (see note above)</b>	<u><b>(158)</b></u>	<u><b>(106)</b></u>

As at the balance sheet date, the group has £3,504k (2012: £2,155k) of trading losses available to be used against future trading profits.

**The Currency Cloud Group Limited**

**Notes to the financial statements  
for the year ended 31 December 2013**

**9. Tangible fixed assets**

<b>Group</b>	<b>Computer equipment £000</b>	<b>Fixtures &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2013	116	62	178
Additions	41	158	199
Transfers intra group	9	(9)	-
Disposals	(1)	(61)	(62)
At 31 December 2013	165	150	315
<b>Depreciation</b>			
At 1 January 2013	80	43	123
Charge for the year	24	39	63
On disposals	-	(61)	(61)
At 31 December 2013	104	21	125
<b>Net book value</b>			
At 31 December 2013	61	129	190
At 31 December 2012	36	19	55

**10. Fixed asset investments**

<b>Company</b>	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 January 2013 and 31 December 2013	857
<b>Net book value</b>	
At 31 December 2013	857
At 31 December 2012	857

## The Currency Cloud Group Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 11. Debtors

	<u>Group</u>		<u>Company</u>	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>Due after more than one year</b>				
Other debtors	68	-	-	-
<b>Due within one year</b>				
Trade debtors	173	22	-	-
Amounts owed by group undertakings	-	-	4,330	3,113
Other debtors	330	119	-	-
Prepayments and accrued income	210	155	24	-
	<u>781</u>	<u>296</u>	<u>4,354</u>	<u>3,113</u>

#### 12. Cash at bank and in hand

The group cash balance as at 31 December 2013 of £13,816k (2012: £10,764k) includes £8,305k (2012: £8,154k) held in respect of customer balances, the corresponding liability for which is held within 'Amounts payable to clients' in Note 12. Of this amount, The Currency Cloud Limited held £8,305k (2012: £8,154k) of cash in designated accounts in accordance with the EU Payment and Services Directive. The balance of client funds was placed with financial institutions as collateral/ deposits on forward transactions.

#### 13. Creditors: Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade creditors	305	58	-	-
Amounts owed to group undertakings	-	-	-	1
Other taxation and social security	92	77	-	-
Amounts payable to clients	8,305	8,154	-	-
Other creditors	1	1	-	-
Accruals and deferred income	311	107	12	13
	<u>9,014</u>	<u>8,397</u>	<u>12</u>	<u>14</u>

## The Currency Cloud Group Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 14. Share capital

	2013 £000	2012 £000
<b>Allotted, called up and fully paid</b>		
12,832,555 (2012 - 18,229,010) Ordinary A shares of £0.0001 each	1	2
7,357,340 (2012 - 8,268,140) Ordinary B shares of £0.0001 each	1	1
33,704,870 (2012 - 33,704,870) A Preferred shares of £0.0001 each	3	3
25,246,649 (2012 - Nil) B Preferred shares of £0.0001 each	3	-
	<hr/>	<hr/>
	8	6
	<hr/>	<hr/>

## **The Currency Cloud Group Limited**

### **Notes to the financial statements for the year ended 31 December 2013**

#### **14. Share capital (continued)**

##### **Allotments**

On 16th December 2013 the following amendments were made to the company's share capital:

5,396,455 Ordinary A shares and 910,800 Ordinary B shares were consolidated in to a single unclassified Ordinary share and then immediately sub-divided in to 6,307,255 B Preferred shares of £0.0001 each in the capital of the company.

The company issued 18,939,394 B Preferred shares of £0.0001 each for a consideration of £5m.

##### **Share Option**

On 26 March 2009, the company set up two share option schemes for Nigel Verdon, a director of the company. Both share option schemes granted 159,000 Ordinary A shares of £0.001 each with an exercise price of 3.929 pence per share. During 2011, the first share option for 159,000 Ordinary A shares of £0.001 each was exercised at a price of £0.03929 per share.

In 2012, each Ordinary A share was sub-divided in to 10 Ordinary A shares of £0.0001 each. As a consequence, the remaining option is now for 1,590,000 Ordinary A shares, with an exercise price of £0.003929 per share.

The second share option scheme may only be exercised at the earliest of; the buyer giving notice to the company agreeing that the company has achieved a valuation of no less than £20 million; and the date of approval of the company accounts which submits that the company has achieved a valuation of no less than £20 million. The exercise must be made within 12 months of the earliest of the above dates otherwise the share options will lapse. Once exercise has been made, the company will issue 477,000 Ordinary A shares of £0.0001 each to Nigel Verdon and then continue to issue 46,380 Ordinary A shares of £0.0001 each, each month for a period of 12 months. Subsequently, the company will to issue 46,370 Ordinary A shares of £0.0001 each, each month for a further period of 12 months.

The second share option still remained as at the balance sheet date. The weighted average fair value of options was £0.0641. This was calculated as being the restricted market value of £0.068 less the exercise price of £0.0039. No adjustment was made for the expected volatility in the share price as this is expected to be minimal, by virtue of the nature of the company. There are not considered to be any other features of the grant that affect the fair value.

The total expense for the period was £Nil (2012: £Nil), and no liability (2012: £Nil) is outstanding as at 31 December 2013.

##### **EMI Scheme**

The company operates an Employee Management Incentive scheme, whereby employees have been granted options to purchase shares in the company. There are no requirements to be satisfied in order for the options to vest. Options lapse on the tenth anniversary of the date on which they were granted. Options are to be settled, upon payment by the option holder of the exercise price, with the allotment of shares in the company.

There were awards of 6,487,710 shares (2012: Nil) outstanding at the beginning of the period. Awards of 767,500 shares were made during the year (2012: 6,487,710) and awards of 574,280 shares (2012: Nil) lapsed during the year. Awards of 6,678,930 shares were outstanding as at 31 December 2013 (2012: 6,487,710).

Fair value of the services received cannot be reliably determined and therefore the options have been valued at the fair value of the equity instruments granted. Fair value is considered to be restricted market value less exercise price.

## The Currency Cloud Group Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 14. Share capital (continued)

The weighted average fair value of options granted in the period was £0.01. This was calculated as being the restricted market value of £0.068 less the exercise price of £0.058. No adjustment was made for the expected volatility in the share price as this is expected to be minimal, by virtue of the nature of the company. There are not considered to be any other features of the grant that affect the fair value.

The total expense for the period was £28,690 (2012: £11,615), and no liability (2012: £Nil) is outstanding in respect of share based payments as at 31 December 2013.

Contained within the figures stated above are awards of 973,530 shares (2012: 973,530) granted by the company which are not included in the EMI scheme as recognised by Her Majesty's Revenue & Customs. These awards differ from the remainder of the awards in no other way. The expense for the period in relation to these shares was £4,056 (2012: £2,113).

#### 15. Reserves

Group	Share premium account £000	Foreign exchange reserve £000	Other reserves £000	Profit and loss account £000
At 1 January 2013	5,547	(1)	12	(2,852)
Loss for the financial year	-	-	-	(1,974)
Premium on shares issued during the year	4,998	-	-	-
Movement on other reserves	-	-	28	-
At 31 December 2013	<u>10,545</u>	<u>(1)</u>	<u>40</u>	<u>(4,826)</u>

Company	Share premium account £000	Other reserves £000	Profit and loss account £000
At 1 January 2013	5,547	12	(590)
Loss for the financial year	-	-	(65)
Premium on shares issued during the year	4,998	-	-
Movement on other reserves	-	28	-
At 31 December 2013	<u>10,545</u>	<u>40</u>	<u>(655)</u>

## The Currency Cloud Group Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 16. Reconciliation of movement in shareholders' funds

	2013 £000	2012 £000
<b>Group</b>		
Opening shareholders' funds	2,712	2,344
Loss for the financial year	(1,974)	(1,643)
Shares issued during the year	2	1
Share premium on shares issued (net of expenses)	4,998	1,999
Movement on share based payment reserve	28	12
Movement on foreign exchange reserve	-	(1)
	<u>5,766</u>	<u>2,712</u>
Closing shareholders' funds		
	<u>5,766</u>	<u>2,712</u>
<b>Company</b>		
Opening shareholders' funds	4,975	3,264
Loss for the financial year	(65)	(301)
Shares issued during the year	2	1
Share premium on shares issued (net of expenses)	4,998	1,999
Movement on other reserves	28	12
	<u>9,938</u>	<u>4,975</u>
Closing shareholders' funds		
	<u>9,938</u>	<u>4,975</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The loss for the year dealt with in the accounts of the company was £65k (2012 - (£301k)).

#### 17. Related party transactions

The company completed personal trades during the year on behalf of N Verdon, a director of the company, of £Nil (2012: £591k).

During the period the company paid travel expenses of £5,125 (2012: £Nil) on behalf of N Verdon, a director of the company. At the balance sheet date a balance of £5,125 (2012: £Nil) was from N Verdon, which is included in other debtors.

#### 18. Operating lease commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013 £000	2012 £000
<b>Group</b>		
<b>Expiry date:</b>		
Between 2 and 5 years	<u>102</u>	<u>26</u>

## The Currency Cloud Group Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 19. Controlling party

There is no majority shareholding in the share capital of the company and therefore there is considered to be no one controlling party.

#### 20. Principal subsidiaries

The following subsidiaries have been included in these consolidated accounts due to the existence of dominant influence:

Company name	Country	Percentage Shareholding	Description
The Currency Cloud Limited	England & Wales	100	Foreign exchange and international payments
FX CG Services Limited	England & Wales	100	Non-trading
The Currency Cloud Malta Limited	Malta	60	Foreign exchange and international payments
The Currency Cloud Services Limited	England & Wales	100	Development of in-house specialist technology platform
The Currency Cloud Inc.	USA	100	Non-trading

#### 21. Minority interests

As at 31 December 2013, minority interests' share of net assets and liabilities in subsidiary undertakings was £7k (2012: £6k).

#### 22. Net cash flow from operating activities

	2013 £000	2012 £000
Operating loss	(2,132)	(1,749)
Depreciation of tangible fixed assets	63	43
Loss on disposal of tangible fixed assets	1	-
Increase in debtors	(327)	(123)
Increase in creditors	616	6,970
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,779)</b>	<b>5,141</b>

#### 23. Analysis of cash flows for headings netted in cash flow statement

	2013 £000	2012 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	1	3
Income from investments	-	(1)
Income from investments in related companies	29	12
Dividends paid to minority interests	-	3
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>30</b>	<b>17</b>



**The Currency Cloud Group Limited**

**Notes to the financial statements  
for the year ended 31 December 2013**

**23. Analysis of cash flows for headings netted in cash flow statement (continued)**

	<b>2013 £000</b>	<b>2012 £000</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	<b>(199)</b>	<b>(25)</b>
	<b>2013 £000</b>	<b>2012 £000</b>
<b>Financing</b>		
Issue of ordinary shares	<b>5,000</b>	<b>2,000</b>

**24. Analysis of changes in net funds**

	<b>1 January 2013 £000</b>	<b>Cash flow £000</b>	<b>Other non-cash changes £000</b>	<b>31 December 2013 £000</b>
Cash at bank and in hand	<b>10,764</b>	<b>3,052</b>	<b>-</b>	<b>13,816</b>
<b>Net funds</b>	<b>10,764</b>	<b>3,052</b>	<b>-</b>	<b>13,816</b>