

Registered number: 06324658

The Currency Cloud Group Limited

**Directors' report and financial statements
for the year ended 31 December 2014**

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COMPANIES HOUSE

The Currency Cloud Group Limited

Company Information

Directors

N Verdon
M Laven
J White
R Moore (appointed 14 May 2014)
N R Shaikh (appointed 20 January 2015)
M Lenson (appointed 1 April 2015)
A Weiskam (appointed 4 June 2015)

Company secretary

D Mason

Registered number

06324658

Registered office

1st Floor
164 Bishopsgate
London
EC2M 4LX

Independent auditors

Kreston Reeves LLP
Chartered Accountants & 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 2014

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

Principal activity

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 £4,602k (2013 - loss £1,974k).

Directors

The directors who served during the year were:

N Verdon
M Laven
J White
H Schricke (resigned 1 August 2014)
S Park (resigned 20 January 2015)
R Moore (appointed 14 May 2014)
N Debock (appointed 1 August 2014, resigned 31 October 2014)
F Destin (resigned 14 May 2014)

M Lenson was appointed after the year end on 1 April 2015.
A Weiskam was appointed after the year end on 4 June 2015.

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, Kreston Reeves 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 2014

Directors' responsibilities statement

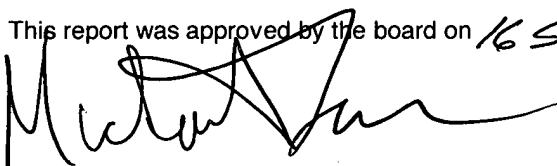
The directors are responsible for preparing the Group strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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 *16 September 2015* and signed on its behalf.



M Laven
Director

The Currency Cloud Group Limited

Group strategic report for the year ended 31 December 2014

Business review

The Board is pleased to report continued growth in turnover increasing 104% to £3.483 billion (2013: £1.705 billion) and gross profits grow to £1,878k (2013: £1,693k), gross profits have not grown in-line with turnover due to increased Cost of Sales in the financial year. The group saw monthly turnover increase from £ 235 million in January 2014 to £ 354 million in December 2014, the highest month being September 2014 at £371 million. 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.

In the year the group continued to make significant investment in the recruitment of staff and the business and technology infrastructure. The total administration expenses for the year were £6.735 million (2013: £3.825 million) and the resulting loss after tax was £4,602 million (2013: £1.974 million). Due to the investment the group ended the year with a non-customer balance of funds of £1.2 million.

In June 2014 the Group opened an office in New York, this being the start of the business international development. As part of this process the Group have started applying for US state licensing in 50 US states as a Money Transmitter, these licences are being applied for in the name of The Currency Cloud Inc a subsidiary company of The Currency Cloud Group.

The group continues to invest in the research and development of its cross boarder payments platform, so as to deliver a market leading cross boarder payment platform as a Application Program Interface (API) as well as a White Label solution. The platform will make the process of making cross boarder payments more efficient and cheaper for the client's of the group companies and their partners.

In 2015 the company raised a further £12million from it's existing investors plus Sapphire Ventures and Rakuten Bank, this investment round was completed in April 2015. The investment will be used in 2015 to continue the development of the platform and international infrastructure of the business including the US state licensing

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.

Financial risk

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 2014

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.

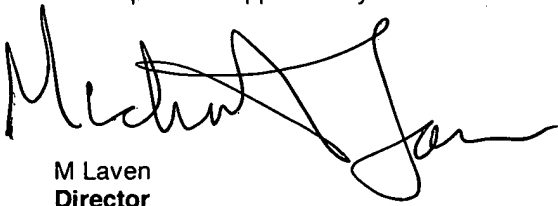
Credit risk

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 *16 SEPTEMBER 2015* 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 2014, 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 2014 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

Kreston Reeves LLP

Chartered Accountants

Statutory Auditors

Third Floor

24 Chiswell Street

London

EC1Y 4YX

Date: 21 September 2015

The Currency Cloud Group Limited

**Consolidated profit and loss account
for the year ended 31 December 2014**

	Note	2014 £000	2013 £000
Turnover	1,2	3,482,634	1,704,680
Cost of sales		(3,480,757)	(1,702,987)
Gross profit	3	1,877	1,693
Administrative expenses		(6,735)	(3,825)
Operating loss	3	(4,858)	(2,132)
Interest receivable and similar income		5	1
Interest payable and similar charges	7	(48)	-
Loss on ordinary activities before taxation		(4,901)	(2,131)
Tax on loss on ordinary activities	8	300	158
Loss on ordinary activities after taxation		(4,601)	(1,973)
Minority interests		(1)	(1)
Loss for the financial year	16	(4,602)	(1,974)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 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 2014

	Note	£000	2014 £000	2013 £000
Fixed assets				
Tangible assets	9		192	190
Current assets				
Debtors	11	2,050	781	
Cash at bank and in hand		16,796	13,816	
		<u>18,846</u>	<u>14,597</u>	
Creditors: amounts falling due within one year	13	<u>(17,250)</u>	<u>(9,014)</u>	
Net current assets			1,596	5,583
Total assets less current liabilities			<u>1,788</u>	<u>5,773</u>
Creditors: amounts falling due after more than one year	14		<u>(583)</u>	-
Net assets			<u>1,205</u>	<u>5,773</u>
Capital and reserves				
Called up share capital	15		8	8
Share premium account	16		10,545	10,545
Foreign exchange reserve	16		(4)	(1)
Other reserves	16		76	40
Profit and loss account	16		<u>(9,428)</u>	<u>(4,826)</u>
Shareholders' funds	17		1,197	5,766
Minority interests	23		<u>8</u>	<u>7</u>
			<u>1,205</u>	<u>5,773</u>

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

16 September 2015


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 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Investments	10		859		857
Current assets					
Debtors	11	8,412		4,354	
Cash at bank		1,144		4,739	
		<u>9,556</u>		<u>9,093</u>	
Creditors: amounts falling due within one year	13	<u>(687)</u>		<u>(12)</u>	
Net current assets			<u>8,869</u>		<u>9,081</u>
Total assets less current liabilities			<u>9,728</u>		<u>9,938</u>
Creditors: amounts falling due after more than one year	14		<u>(583)</u>		<u>-</u>
Net assets			<u><u>9,145</u></u>		<u><u>9,938</u></u>
Capital and reserves					
Called up share capital	15		8		8
Share premium account	16		10,545		10,545
Other reserves	16		76		40
Profit and loss account	16		<u>(1,484)</u>		<u>(655)</u>
Shareholders' funds	17		<u><u>9,145</u></u>		<u><u>9,938</u></u>

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

16 September 2015


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 2014**

	Note	2014 £000	2013 £000
Net cash flow from operating activities	24	1,912	(1,779)
Returns on investments and servicing of finance	25	(7)	30
Taxation		261	-
Capital expenditure and financial investment	25	(102)	(199)
Cash inflow/(outflow) before financing		2,064	(1,948)
Financing	25	916	5,000
Increase in cash in the year		2,980	3,052

**Reconciliation of net cash flow to movement in net funds/debt
for the year ended 31 December 2014**

	2014 £000	2013 £000
Increase in cash in the year	2,980	3,052
Cash inflow from increase in debt and lease financing	(916)	-
Movement in net debt in the year	2,064	3,052
Net funds at 1 January 2014	13,816	10,764
Net funds at 31 December 2014	15,880	13,816

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 2014

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 the 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 2014

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 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.11 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:

	2014 £000	2013 £000
United Kingdom	3,482,570	1,704,597
Rest of European Union	59	83
Rest of world	5	-
	<u>3,482,634</u>	<u>1,704,680</u>

The Currency Cloud Group Limited

Notes to the financial statements for the year ended 31 December 2014

3. Operating loss

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

	2014 £000	2013 £000
Depreciation of tangible fixed assets:		
- owned by the group	99	63
Operating lease rentals:		
- other operating leases	101	69
Difference on foreign exchange	103	(57)
Research & Development Expenditure	3,717	1,674
	<u>3,717</u>	<u>1,674</u>

4. Auditors' remuneration

	2014 £000	2013 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	5	5
Fees payable to the company's auditor and its associates in respect of:		
The auditing of accounts of associates of the company	13	13
All other non-audit services not included above	3	3
	<u>3</u>	<u>3</u>

5. Staff costs

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

	2014 £000	2013 £000
Wages and salaries	3,025	1,958
Social security costs	384	248
Other pension costs	50	-
	<u>3,459</u>	<u>2,206</u>

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

	2014 No.	2013 No.
Directors	3	3
The Currency Cloud Limited	6	3
Sales	5	3
Marketing	5	3
Technology	14	11
Operations	6	3
Finance	3	2
Compliance	2	-
	<u>44</u>	<u>28</u>

The Currency Cloud Group Limited

Notes to the financial statements for the year ended 31 December 2014

6. Directors' remuneration

	2014 £000	2013 £000
Emoluments	<u>434</u>	<u>427</u>

The highest paid director received remuneration of £211k (2013 - £210k).

7. Interest payable

	2014 £000	2013 £000
On bank loans	<u>48</u>	<u>-</u>

8. Taxation

	2014 £000	2013 £000
UK corporation tax credit on loss for the year	<u>(300)</u>	<u>(158)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Loss on ordinary activities before tax	<u>(4,901)</u>	<u>(2,131)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	(1,054)	(495)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	159	28
Capital allowances for year in excess of depreciation	-	(31)
Utilisation of tax losses	-	(94)
Provisions tax adjustment	4	-
Enhanced expenditure relief for research and development expenditure	(260)	(177)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(300)	(158)
Unrelieved tax losses carried forward	1,141	747
Adjustment in respect of provisions	10	22
Current tax credit for the year (see note above)	<u>(300)</u>	<u>(158)</u>

As at the balance sheet date, the group has £6,468k (2013: £3,504k) 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 2014

9. Tangible fixed assets

Group	Computer equipment £000	Fixtures & fittings £000	Total £000
Cost			
At 1 January 2014	165	150	315
Additions	87	15	102
Disposals	(2)	-	(2)
At 31 December 2014	250	165	415
Depreciation			
At 1 January 2014	104	21	125
Charge for the year	46	53	99
On disposals	(1)	-	(1)
At 31 December 2014	149	74	223
Net book value			
At 31 December 2014	101	91	192
At 31 December 2013	61	129	190

10. Fixed asset investments

Company	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2014	857
Additions	3
Foreign exchange movement	(1)
At 31 December 2014	859
Net book value	
At 31 December 2014	859
At 31 December 2013	857

The Currency Cloud Group Limited

Notes to the financial statements for the year ended 31 December 2014

11. Debtors

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Due after more than one year				
Other debtors	68	68	-	-
Due within one year				
Trade debtors	589	173	-	-
Amounts owed by group undertakings	-	-	8,413	4,330
Other debtors	367	330	(1)	-
Prepayments and accrued income	1,026	210	-	24
	<u>2,050</u>	<u>781</u>	<u>8,412</u>	<u>4,354</u>

12. Cash at bank and in hand

The group cash balance as at 31 December 2014 of £16,796k (2013: £13,816k) includes £15,281k (2013: £8,305k) held in respect of customer balances, the corresponding liability for which is held within 'Amounts payable to clients' in Note 13. Of this amount, The Currency Cloud Limited held £15,281k (2013: £8,305k) 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>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Bank loan	333	-	333	-
Trade creditors	905	305	-	-
Amounts owed to group undertakings	-	-	344	-
Other taxation and social security	120	92	-	-
Amounts payable to clients	15,281	8,305	-	-
Other creditors	107	1	-	-
Accruals and deferred income	504	311	10	12
	<u>17,250</u>	<u>9,014</u>	<u>687</u>	<u>12</u>

Silicon Valley Bank hold a debenture over the group and have fixed or floating charge over the assets of the group. This debenture is held over the subsidiaries The Currency Cloud Limited and The Currency Cloud Services Limited, which are guarantors to the loan.

The Currency Cloud Group Limited

Notes to the financial statements for the year ended 31 December 2014

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

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Bank loan	583	-	583	-

15. Share capital

	2014	2013
	£000	£000
Allotted, called up and fully paid		
12,852,555 (2013 - 12,832,555) Ordinary A shares of £0.0001 each	1	1
7,357,340 (2013 - 7,357,340) Ordinary B shares of £0.0001 each	1	1
33,704,870 (2013 - 33,704,870) A Preferred shares of £0.0001 each	3	3
25,246,649 (2013 - 25,246,649) B Preferred shares of £0.0001 each	3	3
	<u>8</u>	<u>8</u>

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 £0.03929 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 option 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 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 (2013: £Nil), and no liability (2013: £Nil) is outstanding as at 31 December 2014.

The Currency Cloud Group Limited

Notes to the financial statements for the year ended 31 December 2014

15. Share capital (continued)

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 6,678,930 shares (2013: 6,487,710) outstanding at the beginning of the period. Awards of 1,352,540 (2013: 767,500) were made during the year, awards of 454,821 shares (2013: 574,280) lapsed during the year and awards of 20,000 (2013: Nil) were exercised during the year. Awards of 7,556,649 shares were outstanding as at 31 December 2014 (2013: 6,678,930).

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 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 £35,888 (2013: £28,690), and no liability (2013: £Nil) is outstanding in respect of share based payments as at 31 December 2014.

Contained within the figures stated above are awards of 2,563,530 shares (2013: 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 £6,757 (2013: £4,056).

16. Reserves

Group	Share premium account £000	Foreign exchange reserve £000	Other reserves £000	Profit and loss account £000
At 1 January 2014	10,545	(1)	40	(4,826)
Loss for the financial year	-	-	-	(4,602)
Movement on foreign exchange	-	(3)	-	-
Movement on other reserves	-	-	36	-
At 31 December 2014	10,545	(4)	76	(9,428)

The Currency Cloud Group Limited

Notes to the financial statements for the year ended 31 December 2014

16. Reserves (continued)

Company	Share premium account £000	Other reserves £000	Profit and loss account £000
At 1 January 2014	10,545	40	(655)
Loss for the financial year	-	-	(829)
Movement on other reserves	-	36	-
At 31 December 2014	<u>10,545</u>	<u>76</u>	<u>(1,484)</u>

17. Reconciliation of movement in shareholders' funds

Group	2014 £000	2013 £000
Opening shareholders' funds	5,766	2,712
Loss for the financial year	(4,602)	(1,974)
Shares issued during the year	-	2
Share premium on shares issued (net of expenses)	-	4,998
Movement on share based payment reserve options	36	28
Movement on foreign exchange reserve	(3)	-
Closing shareholders' funds	<u>1,197</u>	<u>5,766</u>

Company	2014 £000	2013 £000
Opening shareholders' funds	9,938	4,975
Loss for the financial year	(829)	(65)
Shares issued during the year	-	2
Share premium on shares issued (net of expenses)	-	4,998
Movement on share based payment reserve options	36	28
Closing shareholders' funds	<u>9,145</u>	<u>9,938</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 £829k (2013 - £65k).

18. Related party transactions

During the period the group paid travel expenses of £2,764 (2013: £5,125) on behalf of N Verdon, a director of the group. At the balance sheet date a balance of £7,889 (2013: £5,125) was due from N Verdon, which is included in other debtors.

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Notes to the financial statements for the year ended 31 December 2014

19. Pension commitments

The group operates a defined contribution 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 £49k (2013: £Nil). At the balance sheet date £4k (2013: £Nil) remained unpaid and is included in other creditors.

20. Operating lease commitments

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
Group	£000	£000
Expiry date:		
Between 2 and 5 years	102	102

21. 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.

22. 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.	United States of America	100	Foreign exchange and international payments

23. Minority interests

As at 31 December 2014, minority interests' share of net assets and liabilities in subsidiary undertakings was £8k (2013: £7k).

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Notes to the financial statements for the year ended 31 December 2014

24. Net cash flow from operating activities

	2014 £000	2013 £000
Operating loss	(4,858)	(2,132)
Depreciation of tangible fixed assets	99	63
Loss on disposal of tangible fixed assets	1	1
Increase in debtors	(1,233)	(327)
Increase in creditors	7,903	616
Net cash inflow/(outflow) from operating activities	1,912	(1,779)

25. Analysis of cash flows for headings netted in cash flow statement

	2014 £000	2013 £000
Returns on investments and servicing of finance		
Interest received	5	1
Interest paid	(48)	-
Income from investments in related companies	36	29
Net cash (outflow)/inflow from returns on investments and servicing of finance	(7)	30

	2014 £000	2013 £000
Taxation		
Corporation tax repaid/(paid)	264	-
Rounding	(3)	-
Net cash inflow from taxation	261	-

	2014 £000	2013 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(102)	(199)

	2014 £000	2013 £000
Financing		
Issue of ordinary shares	-	5,000
New secured loans	916	-
Net cash inflow from financing	916	5,000

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26. Analysis of changes in net funds

	1 January 2014 £000	Cash flow £000	Other non-cash changes £000	31 December 2014 £000
Cash at bank and in hand	13,816	2,980	-	16,796
Debt:				
Debts due within one year	-	(916)	583	(333)
Debts falling due after more than one year	-	-	(583)	(583)
Net funds	13,816	2,064	-	15,880