

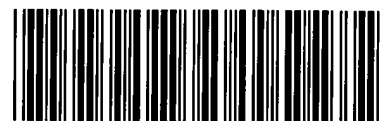
Registered number: 06324658

The Currency Cloud Group Limited

Annual report and financial statements

For the year ended 31 December 2020

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THE CURRENCY CLOUD GROUP LIMITED

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THE CURRENCY CLOUD GROUP LIMITED

Company Information

Directors	M Laven J White R Moore M Lenson A Weiskam T Bevan (resigned 1st March 2021) C Ostrowski (resigned 12th March 2021) M Knowles (appointed 1st March 2021)
Company Secretary	F Tee OHS Secretaries Limited
Registered number	06324658
Registered address	9th Floor 107 Cheapside London EC2V 6DN
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants 1 Embankment Place London WC2N 6RH

THE CURRENCY CLOUD GROUP LIMITED

Strategic report

For the year ended 31 December 2020

Introduction

The directors have pleasure in presenting their Strategic report on The Currency Cloud Group Limited (the Company) and its subsidiaries (the Group) for the year ended 31 December 2020. The directors' aim is to present a balanced and comprehensive review of the development and performance of the Group's business during the year and its position at the year end. The review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties that the Group and Company faces.

Business Environment & Principal Activities

Digital payment companies have been experiencing a decade of growth and in 2020, a year unlike any other, the impact of COVID-19 has been to further accelerate the shift to digital payment services. As a company that principally focuses on providing digital cross-border financial services, the Group has witnessed the effects of this shift first-hand. Currencycloud are the experts simplifying business in a multi-currency world, and we see the shift in digitalisation driving the next wave of Fintech innovation, as payments become increasingly embedded and unbundled from the banking system. The Group offers embedded financial services to other financial service providers who are looking to offer cross-border products and services. With leading-edge cloud native technology and everything from virtual wallets to the ability to send and receive multi-currency payments, the Group facilitates seamless money movement around the world.

As a result of the past year and growth experienced, the Group has built and continues to strengthen its proprietary cross-border technology infrastructure for future stars of financial services. The world of cross-border payments is complex, highly regulated and has high barriers to entry as a result. The Group's vision is for its technology to simplify this, and in doing so positively impact millions of people and businesses.

A recent market research study suggests that in 2019, cross-border payments totalled US\$130 trillion, generating payments revenues of US\$224 billion, yet the overwhelming majority of these payments continue to be facilitated by banks and financial institutions using traditional methods. These services are difficult to use and are expensive. The Group's technology enables customers to embed cross-border solutions into their customer experience and move money more simply, faster and at a lower cost.

Embedded finance is fast becoming the newest layer in the modern technology stack and the Group is quickly emerging as a leader in providing embedded B2B cross-border solutions. The Group serves Banks, FinTech companies and other financial institutions looking to build or enhance their cross-border offering. These companies are re-imagining how money flows around the digital economy and are building significant market share, displacing traditional players. With four different modules on offer - collect, convert, pay, manage - and a route to market through either the Group's direct platform or APIs, clients are able to cover the entire workflow of B2B payments, providing them clarity in what is a traditionally opaque market. The market potential is huge with significant opportunity for growth. By providing the infrastructure to a wide range of firms, the Group is well positioned to benefit from the shift to alternative payment methods.

Business Review

In spite of the global pandemic, 2020 has been a year of growth and success for the Group. Annual payment value has increased to £13.6bn (2019: £10.3bn), a record number of new customers were signed and the customer base increased by a quarter. Global headcount grew by 36% to 263 employees (2019: 194), and the Group announced a move to become a remote-first company, investing significantly to embrace flexible working on a permanent basis, supporting staff to work from home and refurbishing offices to optimise for collaboration.

The Group, whose clients already include many leading Fintechs and financial institutions (e.g. Starling Bank, Revolut, Penta and Visa), at year end had over 450 customers using its platform. Growth was particularly notable in North America and Asia.

The Group also diversified its embedded payments offering, forming strategic partnerships with card issuers, BaaS banking platforms and other payment providers, including GPS, Carta, Mambu and Tribe. This allows their financial services clients to access real-time, wholesale FX rates for far greater transparency.

While COVID-19 presents a significant economic challenge, the company continues to incur losses and use the funds raised in its £64.3 million Series E funding round completed in December 2019 to drive expansion. Product innovation is a significant focus, and the Group has committed to spend £40 million to improve SME's ability to move money around the world, including £10 million from a British Competitions Remedies (BCR) grant. COVID-19 has further revealed just how underserved SMEs are by the traditional banking system, and the Group recognises that it has been a difficult year for many. The Group is committed to continuing to support our clients with a global payments platform which enhances their working capital and enables them to trade efficiently.

THE CURRENCY CLOUD GROUP LIMITED

Strategic report (continued)**For the year ended 31 December 2020****Business Review (continued)**

The Group continued to onboard customers to its global multi-currency wallet, Currencycloud Spark, with more than 20% of customers actively using it within six months of launch. It enables banks and Fintechs to provide multi-currency accounts in more than 35 currencies for business customers, significantly reducing barriers for SMEs to trade internationally.

The Board is pleased to report that, despite a challenging year with the onset of the COVID-19 pandemic, the value of payments processed through the platform has continued to grow, increasing by 33% to £13,628m (2019: £10,270m). Turnover increased by 36% to £36,776k (2019: £27,011k) and gross profit by 43% to £22,792k (2019: £15,993k). Administrative expenses at £33,274k (2019: £26,614k) increased 25% as we have continued to invest in recruiting staff, developing our technology infrastructure, operations and compliance functions. This has led to a loss for the year after tax of £8,499k (2019: loss of £11,039k). The Group has net assets at 31 December 2020 of £24,315k (2019: net assets of £32,996k). Cash at bank as at the balance sheet date is £55,318k (2019: £63,576k).

Other KPIs monitored by the business on an ongoing basis are the Employee Net Promoter Score which increased to 60 (2019: 16) when measured in December 2020, an increase of 275%, and customer count which increased by 92 to 452 (2019: 360).

Principal risks and uncertainties

The Group is committed to operating appropriate governance for a business of its size and activities. Its risk appetite is set by the Board. The Group is committed to delivering growth and innovation without exposing customers to unacceptable risks.

Principal risks

The principal risks and uncertainties that the Group encounter include risks from: non-compliance with laws and regulations, banking partner activities, systems interruptions, operational errors occurring in the act of processing client transactions, cyber threats and foreign exchange exposures related to extreme rate fluctuations.

The Group continues to take steps in preventing and managing these risks including implementing comprehensive processes in respect of its technology platform and operations along with working with multiple service providers, in particular its banking partners. In respect of foreign exchange risks, this is managed by operating robust processes to monitor and manage exchange rate volatility and manage open exposures.

Regulatory risk

The Group operates in an industry subject to extensive and comprehensive regulation which has seen much change in recent years. As a result, the potential risk of non-compliance with laws and regulations increases as the Group both expands its regulatory footprint and the degree of scrutiny over the industry increases in the jurisdictions where licenses are already held. In particular, this includes the risk that the Group would execute payments on behalf of customers which contravene anti-money laundering or terrorist financing legislation.

The risk is mitigated by the robust policies and procedures currently in place for making Know Your Client checks, transaction monitoring and sanction screening using third party and proprietary data where appropriate. In addition, there are procedures for reporting suspicious transactions to the relevant bodies when detected. The Compliance function is adequately resourced in terms of staff and systems in order to fulfil its role and management provide regular updates to the Directors on its performance. Further details on the risks faced by the Group can be found in the Directors' report.

Political uncertainties

There are uncertainties from global political changes, for example increased restrictions on access to the EU market as a result of the UK's departure from the European Union, as well as talent acquisition and retention. In response to these potential challenges the Group has acquired a regulatory license in the Netherlands and also now has access to a further talent pool as a result.

COVID-19

The COVID-19 virus has presented a number of challenges however the Group's priority has been the health and safety of its employees while continuing to serve our clients to the same high standard. The Group transitioned, ahead of the mandated government lockdown, to a mandatory remote working policy to ensure the wellbeing of all our colleagues while keeping business disruption to a minimum. The Group continues to support employees working remotely via a number of mental health initiatives.

THE CURRENCY CLOUD GROUP LIMITED

Strategic report (continued) For the year ended 31 December 2020

Business Review (continued)

The Group's business model provides confidence that it will be able to weather the ongoing market volatility and uncertainty caused by COVID-19. It serves a diverse range of customers across a variety of sectors and geographies and while certain sectors will undoubtedly be negatively impacted this will not be the case for all. The Group has a strong, liquid balance sheet and will be able to cope with any reasonable downturn in markets.

Section 172 Statement

The Directors recognise that they have a duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefits of its members as a whole and, in doing so, to have regard, amongst other matters, to the:

The likely consequences of any decision in the long term

The strategy of the Group is anchored on our mission of re-imagining the way money flows across borders to create a better future by enabling our customers to innovate, in order to benefit the businesses and individuals they in turn serve. This naturally results in decision making taking a long-term focus, exhibited by the investments we have made in developing our technology, the extension of scope of our product and the adoption of a group wide risk management framework.

The interest of the Group's employees

The board actively considers the interests of our people in decision making. The Directors regularly provide employees with information that is of concern to them, primarily in bi-weekly townhalls. These are used to ensure that our progress in achieving our goals is widely known by all staff. To ensure employee feedback is heard, the Group conducts regular staff surveys where employees are encouraged to give honest responses. Results are shared across the Group.

The need to foster the Group's business relationships with suppliers, customers and others

Customer satisfaction is closely tracked in monthly customer experience reporting and regular NPS surveys, with the results of these informing decision making and the Group's broader strategy. Maintaining strong ties with suppliers is key to delivering a high quality service to customers, in particular the Group has dedicated staff who manage our relationships with our network of banking and technology partners.

The impact of the Group's operations on the community and the environment

The Group is committed to operating in a sustainable manner, for example by promoting recycling in its offices and beginning to offset carbon emissions in December 2020. To better understand how the Group can improve in this area a Carbon Footprint Report has recently been commissioned for the first time. Employees are given an allowance of one day per year to spend volunteering with a charity of their choice.

The desirability of the Group maintaining a reputation for high standards of business conduct

The Group is committed to conducting business to the highest standards given the heavily regulated industry it operates in and are conscious that our businesses across the world are regulated by many different authorities in various jurisdictions. Policies and procedures are in place to address compliance with GDPR, Anti-Money Laundering, Terrorist Financing and safeguarding rules with these frameworks being subject to external audits. All employees are required to complete annual compliance and IT security training. Communication with regulatory bodies is regular and transparent, either directly or via trade bodies such as Innovate Finance and AFEP. An explanation of our values is shared with all new joiners as well copies of our Anti-bribery and Whistleblowing policies.

The need to act fairly between members of the company

The Directors are committed to open engagement with all our shareholders, whether employees, strategic investors or venture capital funds. The level of information shared is provided for under our shareholders agreement and articles of association.

This report was approved by the board and signed on its behalf on 19 July 2021.

DocuSigned by:

Michael Laven

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M Laven
Director

THE CURRENCY CLOUD GROUP LIMITED

Directors' report

For the year ended 31 December 2020

The directors present their report and the audited company and consolidated financial statements for the year ended 31 December 2020.

Principal activities

The Currency Cloud Group Limited ('the Company') and its subsidiaries (together 'the Group') provide 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).

The Company is a private limited company, which is limited by shares and incorporated in England. The address of the registered office is 9th Floor, 107 Cheapside, London, EC2V 6DN.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

M Laven
J White
R Moore
M Lenson
A Weiskam
T Bevan (resigned 1st March 2021)
M Knowles (appointed 1st March 2021)
C Ostrowski (resigned 12th March 2021)

Results and dividends

The loss for the year, after taxation, amounted to £8,499k (2019: loss £11,039k).

The Company has not paid an interim dividend (2019: £nil) and the Directors do not recommend the payment of a final dividend (2019: £nil).

Future developments

The growth experienced in 2020 is expected to continue and accelerate in the coming years. The Group's investments will fuel future expansion, including opening an office in Asia in 2021 and obtaining further regulatory licences to operate in the Asia-Pacific region. Alongside geographic growth, the Group is planning to further develop its product offering to strengthen and expand on the advancements made in 2020.

Research and development

During the year the Group increased its expenditure on research and development to £6,842k (2019: £5,133k). Consistent with its accounting policy, the Group has written off this expenditure in the year incurred together with related product development and management costs.

Employees

The Group has a policy of non-discrimination on grounds related to gender, disability, age, race or other factors irrelevant to employment. All job applications are considered equally and we operate policies to support and encourage diversity in our teams.

It is the Group's policy to give full and fair consideration to applicants for employment made by disabled persons, having regard to their particular attitude and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for the appropriate training, career development and promotion of disabled persons.

THE CURRENCY CLOUD GROUP LIMITED

Directors' report (continued) **For the year ended 31 December 2020**

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Risk management

In the course of its business operations, the Group is exposed to a variety of risks including operational, financial, liquidity and credit risk. The Group's risk management policy seeks to mitigate and minimise the potential impact on the business' performance.

Operational Risk

This is the risk of a direct or indirect loss resulting from inadequacies or failures in project, processes or controls due to technology, staff, organisations or external factors.

To monitor and control operational risk, the Group maintains a system of comprehensive policies and control frameworks which are designed to provide a sound and well controlled operational environment.

Financial Risk

The key financial risk for the Group is foreign currency risk arising through the provision of foreign exchange services and the risk of extreme fluctuations. The Group manages this by fully hedging foreign exchange conversions offered to clients at its liquidity providers. Collateral is taken from clients when forward transactions are entered into and is managed by operating robust processes to monitor and manage exchange rate volatility in regard to open exposures.

Liquidity Risk

Liquidity risk is the risk of insufficient liquid funds being available to meet the Group's working capital requirements. The Group manages this by modelling cash flow forecasts covering a range of scenarios to ensure there is sufficient cash to meet its forward operational needs. Additionally, it monitors its liquidity levels and any regulatory capital requirements within its subsidiaries.

Credit Risk

Credit risk is the financial loss that arises if a customer or party fails to meet its contractual obligations. The Group has robust policies in place to review substantial credit exposures prior to entering into a transaction and for the ongoing monitoring of positions.

The Group holds cash and deposits with banks and financial institutions and will assess the credit quality of the partner, taking into account past and current factors in managing its risk.

Compliance Risk

Compliance risk is the risk of non-compliance with the anti-money laundering, safeguarding, capital adequacy requirements and terrorism financing laws the Group is subject to, which could result in loss of either its Financial Conduct Authority or De Nederlandsche Bank license to operate as an Electronic Money Institution or financial penalty. The Group manages this risk by having robust procedures, systems and controls to mitigate this risk.

Cybersecurity and Data Privacy Risk

This is the risk of a loss occurring as a result of a failure to adequately restrict access to systems and data as well as having inappropriate or outdated technology infrastructure which does not support the Group's operations. The Group handles a large amount of personal data on behalf of our customers and must adhere to stringent data protection regulations. The Group manages this risk by implementing systems and controls to mitigate the risk, periodically testing these measures and holding training sessions with all staff.

Energy and Greenhouse Gas Report

The Group appointed Carbon Footprint Ltd, a leading carbon and energy consultancy company, to help support its analysis of its Greenhouse Gas (GHG) emissions in accordance with the UK Government's '*Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance*'.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and has used the 2020 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

THE CURRENCY CLOUD GROUP LIMITED

Directors' report (continued)**For the year ended 31 December 2020****Energy and Greenhouse Gas Report (continued)**

The table below summarises the GHG emissions for the year ended 31 December 2020.

Scope	Activity	Tonnes CO ₂ e
Scope 1	Site gas	41.39
Scope 1 Sub Total		41.39
Scope 2	Electricity generation	21.93
Scope 2 Sub Total		21.93
Scope 3	Electricity transmission and distribution	1.34
Scope 3 Sub Total		1.34
Total scope 1 and 2 tonnes of CO ₂ e		63.32*
Total tonnes of CO ₂ e		64.66*
Tonnes of CO ₂ e per employee		0.28
Tonnes of CO ₂ e £M turnover		1.76
Total energy consumption (kWh)*		291,550

*includes gas and electricity consumption only

During the year the global COVID-19 pandemic has seen a significant increase in employees working from home. As a result, the Group has offered £500 grants to employees to purchase new and efficient models of office equipment including monitors. No other energy efficiency measures were implemented during this period.

In December 2020, the Group offset 2,600 tonnes of CO₂ through investing in numerous community-based projects that are verified against the Gold Standard VER.

Activity	2020
Total energy consumed (kWh)	291,500
Total gross location-based emissions (tCO ₂ e)	64.66
Intensity ratio: tCO ₂ e (gross scope 1 and 2, location-based) per employee	0.28

*includes gas and electricity consumption only

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

THE CURRENCY CLOUD GROUP LIMITED

Directors' report (continued)
For the year ended 31 December 2020

Directors' responsibilities statement (continued)

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

This report was approved by the board and signed on its behalf on 19 July 2021.

DocuSigned by:

Michael Laven

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M Laven
Director

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

Report on the audit of the financial statements

Opinion

In our opinion, The Currency Cloud Group Limited's group financial statements 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 31 December 2020 and of the group's loss, the company's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2020; the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent auditors' report to the members of The Currency Cloud Group Limited (continued)
For the year ended 31 December 2020

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibility statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ("FCA") regulations, UK tax legislation, and equivalent regulations in the territories in which the Group operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, creation of fictitious revenue transactions, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Review of correspondence with and reports to the regulators, including the FCA;
- Review of reporting to the Board and the Risk Committee in respect of compliance and legal matters
- Enquiries of management, the Group's head of legal and the Group's Chief Compliance Officer, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Obtaining confirmations from third parties to confirm the existence of cash balances and a sample of other balances;
- Challenging assumptions and judgements made by management, in particular in relation to the recognition of customer cash off balance sheet, recognition of income from the Banking Competition Remedies grant, the valuation of derivative assets and liabilities (group) and the recoverability of intercompany receivables and investments (parent company); and
- Identifying and testing journal entries, including those posted with double entries to unusual account combinations and those posted with unusual descriptions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Independent auditors' report to the members of The Currency Cloud Group Limited (continued)
For the year ended 31 December 2020

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; 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.



Nadir Guessoum (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 July 2021

THE CURRENCY CLOUD GROUP LIMITED

**Consolidated statement of comprehensive income
For the year ended 31 December 2020**

		2020	2019
	Note	£'000	(restated)* £'000
Revenue	4	36,776	27,011
Cost of sales		(13,984)	(11,018)
Gross profit		22,792	15,993
Administrative expenses		(33,274)	(26,614)
Other income	5	2,204	-
Operating loss	6	(8,278)	(10,621)
Finance income	11	28	7
Finance costs	12	(244)	(421)
Loss before taxation		(8,494)	(11,035)
Tax on loss	13	(5)	(4)
Loss for the financial year		(8,499)	(11,039)
Movement on foreign exchange reserve		(172)	(86)
Other comprehensive expense for the year		(172)	(86)
Total comprehensive expense for the year		(8,671)	(11,125)

*For details of restatement refer to note 2.23.

The Consolidated Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act not to present the Company Statement of comprehensive income.

The notes on pages 18 to 36 are an integral part of these financial statements.

THE CURRENCY CLOUD GROUP LIMITED

**Consolidated statement of financial position
As at 31 December 2020**

Company Registration number: 06324658

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	14	719	470
		<u>719</u>	<u>470</u>
Current assets			
Debtors: amounts falling due within one year	16	22,846	16,989
Cash at bank	17	55,318	63,576
		<u>78,164</u>	<u>80,565</u>
Creditors: amounts falling due within one year	18	(54,344)	(46,847)
Net current assets		<u>23,820</u>	<u>33,718</u>
Total assets less current liabilities		<u>24,539</u>	<u>34,188</u>
Creditors: amounts falling due after more than one year	19	-	(1,192)
Provision for other liabilities	20	(224)	-
Net assets		<u><u>24,315</u></u>	<u><u>32,996</u></u>
Capital and reserves			
Called up share capital	23	23	23
Share premium account	24	94,351	94,324
Foreign exchange reserve	24	(284)	(112)
Other reserves	24	(2,835)	(2,798)
Profit and loss account	25	(66,940)	(58,441)
Total equity		<u><u>24,315</u></u>	<u><u>32,996</u></u>

The notes on pages 18 to 36 are an integral part of these financial statements.

The financial statements on pages 12 to 36 were authorised for issue by the Board of Directors and signed on its behalf on 19 July 2021.

DocuSigned by:

Michael Laven

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M Laven
Director

THE CURRENCY CLOUD GROUP LIMITED

**Company statement of financial position
As at 31 December 2020****Company Registration number: 06324658**

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	15	11,788	5,024
		<u>11,788</u>	<u>5,024</u>
Current assets			
Debtors: amounts falling due within one year	16	97,750	72,369
Cash at bank	17	12,929	39,644
		<u>110,679</u>	<u>112,013</u>
Creditors: amounts falling due within one year	18	(38,861)	(33,985)
Net current assets		<u>71,818</u>	<u>78,028</u>
Total assets less current liabilities		<u>83,606</u>	<u>83,052</u>
Creditors: amounts falling due after more than one year	19	-	(1,192)
Net assets		<u><u>83,606</u></u>	<u><u>81,860</u></u>
Capital and reserves			
Called up share capital	23	23	23
Share premium account	24	94,351	94,324
Other reserves	24	(2,835)	(2,798)
Profit and loss account	25	(7,933)	(9,689)
Total equity		<u><u>83,606</u></u>	<u><u>81,860</u></u>

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 profit after tax of the Company for the year was £1,756k (2019: loss of £108k).

The notes on pages 18 to 36 are an integral part of these financial statements.

The financial statements on pages 12 to 36 were authorised for issue by the Board of Directors and signed on its behalf on 19 July 2021.

DocuSigned by:

Michael Laven

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M Laven
Director

THE CURRENCY CLOUD GROUP LIMITED

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Called up share capital £'000	Share premium account £'000	Foreign exchange reserve £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
Balance as at 1 January 2019	17	42,766	(26)	229	(47,402)	(4,416)
Loss for the year	-	-	-	-	(11,039)	(11,039)
Movement on foreign exchange reserve	-	-	(86)	-	-	(86)
Total comprehensive expense for the year (restated)*	-	-	(86)	-	(11,039)	(11,125)
Costs associated with equity issuance	-	-	-	(3,044)	-	(3,044)
Shares issued during the year	6	51,558	-	-	-	51,564
Share based payment charge	-	-	-	17	-	17
Total transactions with owners (restated)*	6	51,558	-	(3,027)	-	48,537
At 31 December 2019	23	94,324	(112)	(2,798)	(58,441)	32,996
At 1 January 2020	23	94,324	(112)	(2,798)	(58,441)	32,996
Loss for the year	-	-	-	-	(8,499)	(8,499)
Movement on foreign exchange reserve	-	-	(172)	-	-	(172)
Total comprehensive expense for the year	-	-	(172)	-	(8,499)	(8,671)
Costs associated with equity issuance	-	-	-	(71)	-	(71)
Shares issued during the year	-	27	-	-	-	27
Share based payment charge	-	-	-	34	-	34
Total transactions with owners	-	27	-	(37)	-	(10)
At 31 December 2020	23	94,351	(284)	(2,835)	(66,940)	24,315

*For details of restatement refer to note 2.23.

Movement on other reserves has been presented in further detail for 2020 and 2019 has been represented for comparability.

THE CURRENCY CLOUD GROUP LIMITED

**Company statement of changes in equity
For the year ended 31 December 2020**

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2019	17	42,766	229	(9,581)	33,431
Loss for the year	-	-	-	(108)	(108)
Total comprehensive expense for the year (restated)*	-	-	-	(108)	(108)
Costs associated with equity issuance	-	-	(3,044)	-	(3,044)
Shares issued during the year	6	51,558	-	-	51,564
Share based payment charge	-	-	17	-	17
Total transactions with owners (restated)	6	51,558	(3,027)	-	48,537
At 31 December 2019	23	94,324	(2,798)	(9,689)	81,860
At 1 January 2020	23	94,324	(2,798)	(9,689)	81,860
Profit for the year	-	-	-	1,756	1,756
Total comprehensive income for the year	-	-	-	1,756	1,756
Costs associated with equity issuance	-	-	(71)	-	(71)
Shares issued during the year	-	27	-	-	27
Share based payment charge	-	-	34	-	34
Total transactions with owners	-	27	(37)	-	(10)
At 31 December 2020	23	94,351	(2,835)	(7,933)	83,606

*For details of restatement refer to note 2.23.

Movement on other reserves has been presented in further detail for 2020 and 2019 has been represented for comparability.

THE CURRENCY CLOUD GROUP LIMITED

**Consolidated cashflow statement
For the year ended 31 December 2020**

	2020	2019 (restated)*
	£'000	£'000
Cash flows (used in) operating activities		
Loss before tax	(8,494)	(11,035)
Adjustments for:		
Taxation paid	(5)	(4)
Movement on share based payment reserve	34	17
Depreciation of tangible assets	298	247
Interest paid	244	421
Interest received	(28)	(7)
Increase in tax debtor	(204)	(320)
Increase in debtors	(2,956)	(4,712)
Increase in creditors	7,595	868
(Decrease)/increase in BCR liability	(2,204)	10,000
(Decrease)/increase in client money	(2,000)	10,000
Increase in client margin	2,049	996
Derivative fair value adjustment	(31)	-
Net cash (used in)/from operating activities	(5,702)	6,471
Cash flows used in investing activities		
Purchase of tangible assets	(547)	(214)
Interest received	28	7
Net cash used in investing activities	(519)	(207)
Cash flows (used in)/from financing activities		
Issue of ordinary shares	27	17
Issue of preference shares	-	51,548
Repayment of loans	(1,577)	(2,134)
Costs associated with equity issuance	(71)	(3,044)
Interest paid	(244)	(421)
Net cash (used in)/from financing activities	(1,865)	45,966
Net (decrease)/increase in cash and cash equivalents	(8,086)	52,230
Cash and cash equivalents at beginning of year	63,576	11,401
Exchange loss on cash and cash equivalents	(172)	(55)
Cash and cash equivalents at the end of the year	55,318	63,576
Cash and cash equivalents at the end of the year comprise:		
Cash at bank	55,318	63,576
	55,318	63,576

*For details of restatement refer to note 2.23.

Movement on BCR liability, share based payment charge and issue of shares have been presented in further detail for 2020 and 2019 has been represented for comparability.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2020

1. General information

The Currency Cloud Group Limited ('the Company') and its subsidiaries (together 'the Group') provide international payments and currency conversion services via in-house developed technology. This platform is offered as a white label user interface to partners as well as being offered as an Application Program Interface (API).

The Company is a private limited company, which is limited by shares and incorporated in England. The address of the registered office is 9th Floor, 107 Cheapside, London, EC2V 6DN.

2. Accounting policies

The consolidated and company financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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. Accounting policies have been applied consistently for all years unless otherwise stated.

The following principal accounting policies have been applied:

2.1. Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention, except where balance sheet items have been measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2. Going concern

The Directors have adopted the going concern basis for these accounts after considering the Group's forecast cash flows, liquidity, access to borrowing facilities, capital adequacy requirements imposed by regulators and the operational requirements of the Group. The major variables in the scenario planning are the levels of customer growth and retention in the base of existing customers, the identification and acquisition of new customers and the ability of the Group to enact reductions in discretionary expenditure in order to minimise cash outflows. This assessment produced a severe but plausible scenario which assumed a 20% reduction in revenue and the implementation of actions to control costs where deemed feasible. Throughout this scenario the Group remains a going concern.

The Directors took into account the impact of the current COVID-19 environment, however note that the Group has not been materially adversely affected to date in terms of volume of transactions being processed through the platform or new customer acquisition.

Having due regard to these matters and after making appropriate enquiries, the Directors have a reasonable assumption that the Group and Company have adequate resources to remain in operation until at least 12 months after the approval of these financial statements. The Directors have therefore continued to adopt the going concern basis in preparing the consolidated Financial Statements.

2.3. Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings. Consistent accounting policies are used across the Group.

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

2.4. Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue comprises platform usage fees, transactional fees and commissions and services revenue for the provision of technological development work for customers. Revenue from arranging forward contracts in foreign exchange are recognised on the date of trade execution. This revenue is included in accrued income until the settlement date of the transaction. Platform usage fees are monthly fees which are recognised in the month in which they are provided. Transactional fees and commissions are recognised on the date of transaction execution. Where a customer has prepaid for services, this payment is recognised as deferred income and recognised over the period the service is delivered. Services revenue is recognised on an accruals basis in the period in which the work was completed for the customer.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

2.5. Cost of sales

Cost of sales comprises payment fees, commission paid to partners, fees paid to third parties used to deliver technical development for services customers and market costs for cancelling and amending the settlement dates of forward contracts in foreign exchange. Cost of sale from arranging forward contracts in foreign exchange are recognised on the date of trade execution. This cost of sale is accrued on the balance sheet until the settlement of the transaction. Payments fees are recognised at the same time the corresponding transaction fee is recognised in income. Third party technical development costs are recognised on an accruals basis.

2.6. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

Computer equipment	- Straight line over 3 years
Leasehold improvements	- Straight line over 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

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.

2.7. Trade debtors

Trade debtors are measured at transaction price, less any impairment for amounts believed to be unrecoverable.

2.8. Cash at bank

Cash at bank comprises demand deposits and cash held in deposit notice accounts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Cash held in deposit notice accounts have a 32-day notice period. If notice is given of withdrawal, interest is paid at 0.15% below the Bank of England Base Rate. The balance in deposit notice accounts at the year end was £10,034k (2019: £10,005k).

The Group holds client money on behalf of clients in accordance with client money rules of the Financial Conduct Authority (firm reference number: 900199) and De Nederlandsche Bank (firm reference number R142701). Client monies held in segregated bank accounts in accordance with regulations and the corresponding liabilities to these clients are not recognised in the balance sheet because these monies are held in trust and the Group is not beneficially entitled to them. Where client monies have been insured and drawn down to be used for operational liquidity, they have been recognised on the balance sheet as cash. The amount of these monies is disclosed in Note 17 of the financial statements.

2.9. Financial instruments

In respect of recognition and measurement of financial instruments section 11 and 12 of FRS102 have been applied.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances are initially recognised at transaction price less impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at a present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued) For the year ended 31 December 2020

2. Accounting policies (continued)

2.9. Financial instruments (continued)

Where the entity has foreign exchange forward contracts open at the balance sheet date, these positions are marked to market to arrive at their fair value.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, deferred income including that related to grants received and client money are initially recognised at transaction price. Where the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of comprehensive income within Administrative expenses.

Amounts payable to clients comprise amounts received 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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2.10. 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.

2.11. Foreign currency translation

(i) Functional and presentation currency

The Group's functional and presentational currency is pounds sterling and rounded to thousands.

(ii) 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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 within Administrative expenses.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

2.12. Finance costs

Finance costs consisting interest charged on the loan from Kreos Capital V (UK) is charged to the Statement of comprehensive income over the term of the debt using the effective interest method.

2.13. Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, holiday pay, defined contribution pension plans and employee stock options.

(i) Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in creditors as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

(ii) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

(iii) Annual bonus

The Group operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(iv) Share based payments

The group provides share based payment arrangements 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 shares or options that will vest.

The group has no cash-settled arrangements.

2.14. Interest Income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.15. Research and development

Research and development is expensed in the year in which it is incurred.

2.16. Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Group becomes aware of the obligation and are measured at the best estimate of the present value at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, the provision carried on the Balance sheet is utilised.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued) For the year ended 31 December 2020

2. Accounting policies (continued)

2.17. Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable loss 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.

Deferred tax arises from 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. 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. It 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.

2.18. Other income

Other income consists of income from grants awarded. Grants are recognised in other income over the periods in which the related costs for which the grant is intended to compensate are incurred. Until such time that these costs are incurred, grants are recognised on the Balance Sheet as deferred income.

2.19. Operating leased assets

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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 lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.20. Share capital

Ordinary and Preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in other reserves as a deduction, net of tax, from the proceeds.

2.21. Related party transactions

The Group discloses transactions with related parties which are not wholly owned with the same group. 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's financial statements.

2.22. Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)**For the year ended 31 December 2020****2.23. Prior year restatements****(i) Other comprehensive income restatement**

Other reserves which represent costs incurred in relation to fundraising were erroneously included in Other comprehensive income in the financial statements for the year ended 31 December 2019. This has been corrected by removing them from the Statement of other comprehensive income and presenting directly in equity. There is no impact on the opening balance sheet.

Prior to restatement, total comprehensive expense for the year ended 31 December 2019 for the Group was £14,152k and for the Company was £3,135k. After restatement, total comprehensive expense is £11,125k for the Group and £108k for the Company.

(ii) Cash flow statement*Cash and cash equivalents*

Restricted cash representing funds held as collateral under one of the Group's lease agreements was incorrectly excluded from the Cash flow statement for the year ended 31 December 2019. This has been corrected by re-stating the opening balance in the 2019 Cash flow statement. There is no impact on the opening balance sheet.

Prior to restatement, cash and cash equivalents for the year ended 31 December 2019 for the Group was £63,486k. After restatement, cash and cash equivalents £63,576k.

Loss before tax

The Cash flow statement is now based on loss before tax rather than loss after tax. Prior to restatement, the loss for the year referenced was £11,039k. After restatement, loss before tax is £11,035k.

Cash used in operating activities

Costs of associated with equity issuance were incorrectly included as part of the movement in other reserves and adjusted for within operating activities for the year ended 31 December 2019. This has been corrected by moving these specific costs to financing activities. In addition the impact of foreign exchange loss on cash and cash equivalents of £172k (2019: £55k) for the year ended 31st December 2020 has been disclosed separately to cash used in operating activities.

Prior to restatement, net cash used in operating activities was £3,372k and net cash from financing activities was £49,010k. After restatement this was £6,471k and £45,966k respectively.

There are three separate restatements impacting the individual Debtor and Creditor lines within the net cash used in operating activities which do not impact the prior year disclosed Net cash used in operating activities and Cash and cash equivalents at the end of the prior year.

Prior to the restatement the Increase in tax debtor was £1,092k. It was identified that this balance had been incorrectly calculated as the total of the balance sheet tax payable and receivable accounts which was £1,092k rather than the movement in the tax credit receivable during the year. The restated Increase in tax debtor is £320k with the difference of £772k being reflected as an increase to the debtors line.

Prior to the restatement the decrease in client margin was £3,217k. It was identified that the movement had been incorrectly calculated in the prior year and the restated balance was an increase in client margin of £996k with the difference of £4,212k being reflected as a decrease to the creditors line.

Thirdly it was identified that an intercompany cashflow balance of £2,860k had been incorrectly grossed up in error between debtors and creditors.

Prior to the restatements above, Increase in creditors was £17,971k which has been decreased by the £2,860k intercompany gross up error and the £4,212k error in the client margin resulting in an Increase in creditors of £10,868k. Within this balance was the £10,000k Increase in the BCR liability which has been shown on a separate line, with the remaining restated Increase in creditors of £868k.

Prior to the restatements above, Increase in debtors was £6,799k which has been decreased by the £772k tax debtor and increased by the intercompany gross up error of £2,860k resulting in a restated Increase in debtors of £4,712k.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgments 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.

(a) Critical judgments in applying the entity's accounting policies**(i) Segregated client money accounts**

Assessing whether segregated client money accounts, and the corresponding liability to return these funds to clients, is required to be reflected in the Balance sheet of the company requires judgement. The directors have concluded that the criteria for recognition as an economic asset of the Group have not been met, namely the receipt of economic benefit from funds in these financial statements, therefore have not recognised within the financial statements. Disclosure has been made of the amount in Note 17 to the financial statements.

Client money that has been insured and used for operational liquidity has been brought on balance sheet as it is considered the Group has an economic benefit from the funds. The amount of client money insured at 31 December 2020 was £8m (2019: £10m). If client money not used to provide operational liquidity it was deemed to have met the recognition criteria, the result would be an additional £193m (2019: £112m) would be included in cash at bank.

(ii) Recoverability of intercompany receivables from The Currency Cloud Services Limited

As part of its impairment review of intercompany receivables, the directors have assessed the ability of companies within the Group to repay intercompany amounts owed on demand to the Company. With respect to the intercompany debtor the Company is owed by The Currency Cloud Services Limited (TCCSL) of £23,294k (2019: £16,590k), the directors acknowledge that TCCSL is loss making and has negative cashflows. The Directors consider that the recoverability of this balance is dependent on TCCSL being able to satisfy its obligations by realising the value of the intellectual property of the Group, which it is the owner of, on a timely basis. Based on the valuation placed on the Group in previous equity fundraises, the directors deem it reasonable that this is the case and therefore that the intercompany receivable is fully recoverable.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)**For the year ended 31 December 2020****4. Revenue****An analysis of revenue of business is as follows:**

	2020	2019
	£'000	£'000
Platform usage fee	16,363	11,163
Commission receivable	13,677	10,661
Transactional fee	5,855	5,187
Services revenue	881	-
Total Revenue	36,776	27,011

An analysis of revenue by geography is as follows:

	2020	2019
	£'000	£'000
United Kingdom	24,767	18,030
Continental Europe	5,947	4,208
Asia	3,263	2,402
Americas	2,472	1,992
Africa	327	379
Total Revenue	36,776	27,011

5. Other income

	2020	2019
	£'000	£'000
Grant income	2,204	-
	2,204	-

The Company was awarded a £10m grant from the Capability and Innovation Fund by Banking Competition Remedies Limited (BCR) in 2019. The £425m fund, setup using funds from Royal Bank of Scotland in response to their receipt of state aid, was created to promote competition in the SME banking sector. The Company won the award to help facilitate the expansion of international payment services to UK SMEs, with the funds allowed to be use for eligible spend in the pursuit of this goal.

Further details of the commitments the Company made when applying for this grant are publicly available on the BCR website.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020**6. Operating loss**

	2020	2019
	£'000	£'000
The operating loss is stated after charging/(crediting):		
Research and development charged as an expense	6,842	5,133
Depreciation of tangible assets	298	247
Fees payable to the Group's auditors and their associates for the audit of: the Group, the Company and its subsidiaries annual financial statements	180	135
Foreign exchange (gains)/losses	(87)	65
R&D tax credit	(1,319)	(968)
Operating lease rentals	1,142	989
Impairment of trade debtors	79	58
	7,135	5,659

7. Auditors' remuneration

	2020	2019
	£'000	£'000
Audit fees		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	101	84
Fees payable to the Company's auditors and its associates for the statutory audit of the financial statements of subsidiaries of the Company	79	51
Total audit fees	180	135
Non-audit services		
Tax advisory services	8	27
Total non-audit service fees	8	27
	188	162

8. Employee costs

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

	Group	Group
	2020	2019
	£'000	£'000
Wages and salaries	18,972	14,467
Social security costs	2,246	1,670
Share based payments	34	18
Other pension costs	700	485
	21,952	16,640

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)**For the year ended 31 December 2020****9. Employee numbers**

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

	Group 2020 No.	Group 2019 No.
General Administrative	72	53
Sales	62	52
Technology	64	50
Compliance	36	27
	234	182

The Company has no employees.

The categorisation of employees has been updated for 2020 and 2019 has been represented for comparability.

10. Directors' remuneration

	2020 £'000	2019 £'000
Directors' emoluments	366	425
	366	425

The directors of the Company receive all their remuneration from another Group entity, The Currency Cloud Services Limited. Disclosure of directors' remuneration can therefore be found in the financial statements of this Company.

The highest paid director received remuneration of £340k (2019: £397k). No director receives a pension from the Company. No director exercised share options during the year (2019: nil shares, £nil).

11. Finance income

	2020 £'000	2019 £'000
Interest receivable	28	7
	28	7

12. Finance costs

	2020 £'000	2019 £'000
Loan interest payable	244	421
	244	421

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020**13. Tax on loss**

	2020	2019
	£'000	£'000
Corporation tax		
Current tax on loss for the financial year	5	4
Total current tax	5	4

Factors affecting tax charge for the year (Group)

The charge for the financial year can be reconciled to the profit per income statement as follows:

	2020	2019
	£'000	£'000
Loss before tax	(8,494)	(11,035)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(1,615)	(2,097)
Effects of:		
Deferred tax asset not recognised	1,019	1,658
R&D expenses not subject to tax	752	635
Income not taxable	(251)	(215)
Expenses not deductible	69	32
Other permanent differences	(1)	(23)
Fixed asset differences	29	9
Foreign tax - other	4	3
Other movements	(1)	2
Total tax charge for the financial year	5	4

As of the statement of financial position date, there was £43,888k (2019: £37,823k) of trading losses available to be used against future trading profits. These remain unrecognised due to a lack of historic profitability.

During the Chancellor's Budget on 3 March 2021, a UK corporation tax rate increase from 19% to 25%, effective from 1 April 2023 was announced. As this rate change was not substantively enacted as at 31 December 2020, deferred tax assets and liabilities within these financial statements continue to be measured at 19%, the substantively enacted rate at which they are expected to reverse.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020

14. Tangible assets

Group	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost or valuation			
At 1 January 2020	767	877	1,644
Additions	179	368	547
At 31 December 2020	946	1,245	2,191
Accumulated depreciation			
At 1 January 2020	561	613	1,174
Depreciation	143	155	298
At 31 December 2020	704	768	1,472
Net book value			
At 31 December 2020	242	477	719
At 31 December 2019	206	264	470

15. Investments

Company	Investments in subsidiary companies £'000s 2020	Investments in subsidiary companies £'000s 2019
Cost or valuation		
At 1 January 2020	5,024	1,528
Additions	6,764	3,496
At 31 December 2020	11,788	5,024
Net book value	11,788	5,024

During the year the Company subscribed for additional equity in its wholly owned subsidiaries The Currency Cloud Limited (£5,000k) and The Currency Cloud Limited B.V. (£1,764k) to ensure these subsidiaries continue to meet their regulatory capital requirements.

In 2019 the Company subscribed for additional equity in The Currency Cloud Inc. (£3,496k).

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020**15. Investments (continued)**

Name	Registered Address	Principal Activity	Class of Share	Country of Incorporation
The Currency Cloud Limited	9th Floor, 107 Cheapside, London, EC2V 6DN	Foreign exchange and international payments	Ordinary	UK
The Currency Cloud Services Limited	9th Floor, 107 Cheapside, London, EC2V 6DN	In house specialist technology platform	Ordinary	UK
The Currency Cloud Inc.	20th Floor, 104 Fifth Avenue, NY 10001	Foreign exchange and international payments	Ordinary	USA
Currency Cloud PTE. Ltd	6 Battery Road, #10-01, 049909 Singapore	Non-trading	Ordinary	Singapore
Currency Cloud B.V.	296-298 Nieuwezijds Voorburgwal, 1012 RT Amsterdam	Foreign exchange and international payments	Ordinary	Netherlands
Currency Cloud Services B.V.	298 Nieuwezijds Voorburgwal, 1012 RT Amsterdam	Intra-group sales	Ordinary	Netherlands

All subsidiaries are wholly owned subsidiaries of The Currency Cloud Group Limited via direct ownership.

As part of Currency Cloud B.V. becoming regulated in the Netherlands, the Company was required by law to establish a Foundation to safeguard the funds of the customers of Currency Cloud B.V.'s customers. This foundation is named Currencycloud Stichting Derdengelden. The address of the registered office is 298 Nieuwezijds Voorburgwa, 1012 RT Amsterdam. This Foundation does not have authorised share capital and has no role outside the safeguarding of client money.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020
16. Debtors

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Due within one year				
Trade debtors	2,529	1,765	-	-
Amounts owed by group undertakings	-	-	97,708	72,360
Other debtors	1,117	711	5	-
R&D tax credit	1,318	1,114	-	-
Collateral held at trading counterparty	6,769	6,581	-	-
Derivative financial assets	7,563	4,866	-	-
Prepayments	1,067	860	37	9
Accrued income	2,483	1,092	-	-
	22,846	16,989	97,750	72,369

Amounts owed by group undertakings are repayable on demand and do not bear any interest.

Other debtors has been presented in further detail for 2020 and 2019 has been represented for comparability. There are no changes to the balances.

17. Cash at bank

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash at bank	55,318	63,576	12,929	39,644
	55,318	63,576	12,929	39,644

Excluded from the cash at bank is an amount of £193,276k (2019: £111,612k) held in segregated client accounts subject to FCA safeguarding restrictions. In accordance with the Company's accounting policies, these funds are not deemed to have met the criteria for recognition.

Separately, the Foundation established in the Netherlands, Currencycloud Stichting Derdengelden holds £15,947k (2019: £nil) in segregated client accounts subject to safeguarding restrictions. In accordance with the Company's accounting policies, these funds are not deemed to have met the criteria for recognition.

Included in the cash at bank is insured client money of £8,000k (2019: £10,000k) that has been insured and used for operational liquidity. This insurance policy means that were the Company to become insolvent (as described in section 22 of the Electronic Money Regulations 2011 (EMR 2011), any shortfall up a limit of £10,000k in relevant funds (as described in section 20 of the EMR 2011) would be paid by the insurer. As per the Group's accounting policies, these are deemed to have met the criteria for recognition.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020**18. Creditors: amounts falling due within one year**

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank loans (note 21)	1,258	1,643	1,258	1,641
Trade creditors	2,160	2,030	73	479
Amounts owed to group undertakings	-	-	29,536	21,804
Taxation and social security	751	715	-	(12)
Other creditors	2,948	1,808	-	-
Amounts payable to clients	18,297	11,211	-	-
Client Money	8,000	10,000	-	-
Derivative financial liabilities	7,532	4,866	-	-
Accruals	2,977	1,695	198	73
Deferred income	10,421	12,879	7,796	10,000
	54,344	46,847	38,861	33,985

Amounts owed to group undertakings are repayable on demand and do not bear any interest.

Other creditors have been presented in further detail for 2020 and 2019 has been represented for comparability. There are no changes to the balances.

For terms of the bank loan please see note 21.

19. Creditors: amounts falling due after more than one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank loans (note 21)	-	1,192	-	1,192
	-	1,192	-	1,192

For terms of the bank loan please see note 21.

20. Provision for other liabilities

The Group had the following provisions during the year:

	Dilapidations provisions £'000	Total £'000
Additions	224	224
At 31 December 2020	224	224

As part of the group's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The provision is expected to be utilised between 2022 and 2030 as the leases terminate.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020

21. Loans

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank loans	1,258	2,834	1,258	2,834
	1,258	2,834	1,258	2,834

Kreos Capital V (UK) Limited hold a debenture over The Currency Cloud Group Limited and have fixed or floating charge over the assets of the Company and its subsidiaries. Interest accrues on the outstanding principal amount at a rate of 10% per annum and is due to be fully repaid in 2021.

22. Financial Instruments

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost				
Trade debtors	2,529	1,765	-	-
R&D tax credit	1,318	1,114	-	-
Collateral held at trading counterparty	6,769	6,581	-	-
Amounts owed by group undertakings	-	-	97,708	72,360
Accrued income	2,483	1,092	-	-
Other debtors	1,117	711	5	-
	14,216	11,263	97,713	72,360
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade creditors	(2,160)	(2,030)	(73)	(479)
Amounts payable to clients	(18,297)	(11,211)	-	-
Bank loans	(1,258)	(2,834)	(1,258)	(2,834)
Other creditors	(2,948)	(1,808)	-	-
Accruals	(2,977)	(1,695)	(198)	(73)
Amounts owed to group undertakings	-	-	(29,536)	(21,804)
	(27,640)	(19,578)	(31,065)	(25,190)

Other debtors and other creditors have been presented in further detail for 2020 and 2019 has been represented for comparability. There are no changes to the balances.

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

Financial liabilities measured at amortised costs comprise bank loans and overdrafts, trade creditors, other creditors, amounts owed to group undertakings and accruals.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020**22. Financial Instruments (continued)****Derivative financial assets**

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Financial assets measured at fair value	7,563	4,866	-	-
Financial liabilities measured at fair value	(7,532)	(4,866)	-	-
	31	-	-	-

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency contracts. The financial derivative assets and liabilities are carried at their fair value.

At 31 December 2020 the fair value of forward exchange contracts in an asset position was £7,563k (2019: £4,866k) and the fair value of forward exchange contracts in a liability position was £7,532k (2019: £4,866k).

The Group entered into certain foreign exchange swap contracts to manage its operational liquidity. The fair value of these contracts at 31 December 2020 was £31k (2019: £nil).

23. Called up share capital**Allotted, called up and fully paid**

Class and nominal value	Number of shares		2020	2019
	2020	2019	£'000	£'000
Ordinary A shares of £0.0001 each	17,542,400	17,070,989	2	2
Ordinary B shares of £0.0001 each	7,357,340	7,357,340	1	1
A Preferred shares of £0.0001 each	33,704,870	33,704,870	3	3
B Preferred shares of £0.0001 each	25,246,649	25,246,649	3	3
C Preferred shares of £0.0001 each	40,000,000	40,000,000	4	4
D Preferred shares of £0.0001 each	44,444,444	44,444,444	4	4
E Preferred shares of £0.0001 each	64,373,887	64,373,887	6	6
	232,669,590	232,198,179	23	23

In the event of a distribution of assets on a liquidation or return of capital, the surplus of assets remaining after payment of liabilities shall be applied to the classes of shares in the following manner. A Preferred and B Ordinary shares will receive an amount equal to their preference amount or issue prices respectively or have the option to convert to an A ordinary share. B, C D and E Preferred shares will receive an amount equal to its preference amount while also participating in the distribution of the remaining surplus in conjunction with the A Ordinary shares. Further information can be found in the company's Articles of Association filed at Companies House.

Share option scheme

Employees are granted share options in the company as part of the all-employee share scheme. The options are granted with a fixed exercise price, are exercisable up until the 40 days after an Option holder ceases to be an employee of the Group and expire 10 years after the date of the grant. Employees are not entitled to dividends until the shares are exercised. On exercise of the options by the employees, the company issues new shares.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020
23. Called up share capital (continued)**Options table**

A reconciliation of share option movements over the year to 31 December 2020 is shown below:

	No. ('000)	2020 Weighted average exercise price £	No. ('000)	2019 Weighted average exercise price £
Opening Option pool	31,113	0.058	19,913	0.058
Increase in option pool	-	0.058	11,476	0.058
Exercised options	(472)	0.058	(276)	0.058
Closing Option pool	30,641	0.058	31,113	0.058

The group is unable to directly measure the fair value of employee services received. Instead the fair value of share options granted during the year is determined by calculating the restricted market value less the exercise price. The valuation exercise undertaken to arrive at the restricted market value considers many different factors, including trading results, profit and loss projections, acquisitions of similar companies and the details of recent share purchases.

The total expense for the year was £34k (2019: £17k), and no liability (2019: £nil) is outstanding in respect of share based payments as at 31 December 2020.

24. Reserves**Share premium account**

This represents the amount above the nominal value of shares that have been issued by the Company.

Foreign exchange reserve

This reserve comprises translation difference arising on the translation of financial statements of the Group's foreign entities into sterling.

Other reserves

This reserve comprises legal fees incurred supporting previous fundraising rounds and the share option reserve.

Profit and loss account

This reserve comprises all current and prior year retained losses.

Called up share capital

This represents the nominal value of shares that have been issued by the Company.

25. Profit and loss account

This reserve comprises all current and prior year retained losses.

26. Pension commitments

The Company operates a defined contribution pension scheme. The pensions cost charge represents contributions payable by the Company to the fund and amount to £700k (2019: £485k). As at 31 December 2020, £113k (2019: £67k) was outstanding.

THE CURRENCY CLOUD GROUP LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2020**27. Ultimate controlling party**

No shareholder holds more than 20% of the issued share capital of the Company and therefore there is considered to be no one controlling party.

28. Commitments under operating leases

At 31 December 2020 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	£'000	£'000
Not later than 1 year	839	974
Later than 1 year and not later than 5 years	3,583	3,303
Later than 5 years	857	885
Total	5,279	5,162

29. Post balance sheet events

On the 19 January 2021 the Company secured access to a £10,000k credit facility from Kreos Capital VI (UK) Limited. The terms of this loan allow Kreos Capital VI (UK) Limited to place a debenture over the assets of the Group.

On the 24 June 2021, the Company arranged access to a convertible loan note of £20,000k from an existing shareholder. This note carries an interest rate of 8% per annum and is convertible at the Company's discretion subject to certain conditions being met. Should the loan note be drawn upon it would be classified as a financial liability until it was either repaid in full or converted to equity.