

Registered number: 07014587

CROWDCUBE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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CROWDCUBE LIMITED

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CROWDCUBE LIMITED

COMPANY INFORMATION

Directors

D M Westlake
T B Bunting
L J Lang
W Simmons
S Williams

Company secretary

P Massey

Registered number

07014587

Registered office

Fourth Floor
Broadwalk House (South Block)
Exeter
Devon
EX1 1TS

CROWDCUBE LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present the Strategic Report for Crowdcube Limited ("the company") and its subsidiary undertakings (together "the group") for the year ended 30 September 2017.

Business review

The principal activity of the group is the provision of a crowdfunding platform. During the year the average size of a completed pitch increased which, together with a slight increase in the effective commission charged, drove a 19% increase in the average revenue generated per completed pitch. However, the number of completed pitches in the year declined resulting in a 5% decrease in revenue overall.

The Group continues to invest for growth primarily through the continued investment in its team. The average number of employees throughout the year was 79, compared to 85 in FY16 and 54 in FY15. The Group made an operating loss for the year of £4,626,683 compared to an operating loss of £5,393,109 in the prior year.

The Group raised £1,000,000 of financing from a share issuance in May 2017 from an institutional investor. The issuance was at the same share price as that achieved in its September 2016 funding round. At the balance sheet date the Group's net cash position was £5,466,951 (£2016: 8,685,482).

Principal risks and uncertainties

Competition risk

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

Brexit risk

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

Regulatory risk

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

Financial key performance indicators

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

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

This report was approved by the board on

14/5/18

and signed on its behalf by:


D M Westlake
Director

CROWDCUBE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their annual report and the audited consolidated financial statements for the year ended 30 September 2017.

Results and dividends

The loss for the financial year amounted to £4,704,584 (2016: £5,362,321).

No dividends were paid during the year (2016: £Nil).

Directors

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

D M Westlake
T B Bunting
L J Lang
W Simmons
S Williams

Going concern

The Group has £5.4m of cash held on the balance sheet as at 30 September 2017 and based on forecast performance this will last for at least 12 months following the date of signing the financial statements. The directors are exploring potential funding opportunities in 2018 involving both crowd and institutional investors, consistent with its fundraising history to date. This additional funding will support future investment for growth in the Group.

Financial risk management

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

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

Future developments

The Group remains focussed on leading the equity crowdfunding markets in both the UK and Spain and is expecting a return to revenue growth in FY18. Towards the end of FY17 the Group undertook a number of initiatives in order to increase the number of pitches launched on the platform. The benefits of these initiatives were seen in the first quarter of FY18 with the number of pitches launched on the UK platform being double the quarterly average seen in FY17.

CROWDCUBE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company 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;
- 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 the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group 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.

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.

Disclosure of information to auditors

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 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 and company's auditors are aware of that information.


Independent auditors

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

This report was approved by the board on

14/5/18

and signed on its behalf by:



D M Westlake
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWDCUBE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Crowdcube 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 30 September 2017 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 balance sheets as at 30 September 2017; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended.

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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWDCUBE LIMITED (CONTINUED)

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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 30 September 2017 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' Responsibilities Statement set out on page 4, 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.

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.

CROWDCUBE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWDCUBE LIMITED (CONTINUED)

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

We have no exceptions to report arising from this responsibility.

Claire Turner

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

Date: 14th May 18

CROWDCUBE LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	Note	2017 £	2016 £
Turnover	5	3,776,709	3,974,464
Cost of sales		(1,782,304)	(1,893,597)
Gross profit		1,994,405	2,080,867
Administrative expenses		(6,621,085)	(7,473,976)
Operating loss	6	(4,626,680)	(5,393,109)
(Loss)/Income from participating interests		(77,105)	31,189
Interest receivable and similar income	11	-	522
Other interest payable and similar expenses	12	(799)	(923)
Loss before taxation		(4,704,584)	(5,362,321)
Tax on loss		-	-
Loss for the financial year		(4,704,584)	(5,362,321)
 Movement on foreign exchange		 15,700	 9,640
Other comprehensive income for the financial year		15,700	9,640
 Total comprehensive expense for the financial year		 (4,688,884)	 (5,352,681)

All results derive from continuing operations.

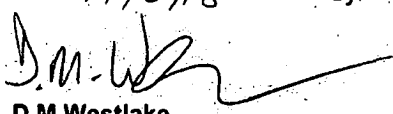
The notes on pages 14 to 30 form part of these financial statements.

CROWDCUBE LIMITED
REGISTERED NUMBER: 07014587

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	13		286,486		375,237
Tangible assets	14		75,745		110,236
Investments	15		4,084		81,189
			<u>366,315</u>		<u>566,662</u>
Current assets					
Debtors: amounts falling due after more than one year	16	191,667			
Debtors: amounts falling due within one year	16	784,974		637,465	
Investments	17	15,883		10,459	
Cash at bank and in hand	18	5,466,951		8,685,482	
		<u>6,459,475</u>		<u>9,333,406</u>	
Creditors: amounts falling due within one year	19		(1,026,476)		(872,423)
Net current assets			<u>5,432,999</u>		<u>8,460,983</u>
Total assets less current liabilities			<u>5,799,314</u>		<u>9,027,645</u>
Capital and reserves					
Called up share capital	21		226,342		222,920
Share premium account	22		21,966,226		20,969,648
Foreign exchange reserve	22		14,123		(1,577)
Share based payment reserve	22		1,037,330		576,777
Profit and loss account	22		(17,444,707)		(12,740,123)
Total shareholders' funds			<u>5,799,314</u>		<u>9,027,645</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14/5/18 by:


D M Westlake
 Director

The notes on pages 14 to 30 form part of these financial statements.

CROWDCUBE LIMITED
REGISTERED NUMBER: 07014587

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	14	66,626	102,496
Investments	15	2,754,267	2,467,271
		<u>2,820,893</u>	<u>2,569,767</u>
Current assets			
Debtors: amounts falling due after more than one year	16	191,667	227,495
Debtors: amounts falling due within one year	16	862,351	608,073
Current asset investments	17	12,137	10,459
Cash at bank and in hand	18	3,604,258	6,781,612
		<u>4,670,413</u>	<u>7,627,639</u>
Creditors: amounts falling due within one year	19	(959,256)	(832,623)
Net current assets		<u>3,711,157</u>	<u>6,795,016</u>
Net assets		<u><u>6,532,050</u></u>	<u><u>9,364,783</u></u>
Capital and reserves			
Called up share capital	21	226,342	222,920
Share premium account	22	21,966,226	20,969,648
Share based payment reserve	22	1,037,330	576,777
Profit and loss account brought forward		(12,404,562)	(7,334,834)
Loss for the financial year		<u>(4,293,286)</u>	<u>(5,069,728)</u>
Profit and loss account carried forward		<u>(16,697,848)</u>	<u>(12,404,562)</u>
Total shareholders' funds		<u><u>6,532,050</u></u>	<u><u>9,364,783</u></u>

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

14/5/18

by:



D M Westlake
Director

CROWDCUBE LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	Called up share capital £	Share premium account £	Deferred consideration reserve £	Foreign exchange reserve £	Share based payment reserve £	Profit and loss account £	Total shareholders' funds £
At 1 October 2015	189,084	11,796,143	205,757	(11,217)	414,729	(7,377,802)	5,216,694
Comprehensive expense for the financial year							
Loss for the financial year	-	-	-	-	-	(5,362,321)	(5,362,321)
Movement in foreign exchange	-	-	-	9,640	-	-	9,640
Total comprehensive expense for the financial year	-	-	-	9,640	-	(5,362,321)	(5,352,681)
Shares issued during the year	33,836	9,173,505	-	-	-	-	9,207,341
Share options	-	-	(205,757)	-	-	-	(205,757)
Share based payment	-	-	-	-	162,048	-	162,048
Total transactions with owners	33,836	9,173,505	(205,757)	-	162,048	-	9,163,632
At 30 September 2016 and 1 October 2016	222,920	20,969,648	-	(1,577)	576,777	(12,740,123)	9,027,645
Comprehensive expense for the financial year							
Loss for the financial year	-	-	-	-	-	(4,704,584)	(4,704,584)
Movement in foreign exchange	-	-	-	15,700	-	-	15,700
Total comprehensive expense for the financial year	-	-	-	15,700	-	(4,704,584)	(4,688,884)
Shares issued during the year	3,422	996,578	-	-	-	-	1,000,000
Share based payment	-	-	-	-	460,553	-	460,553
Total transactions with owners	3,422	996,578	-	-	460,553	-	1,460,553
At 30 September 2017	226,342	21,966,226	-	14,123	1,037,330	(17,444,707)	5,799,314

CROWDCUBE LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	Called up share capital £	Share premium account £	Deferred consideration reserve £	Share based payment reserve £	Profit and loss account £	Total shareholders' funds £
At 1 October 2015	189,084	11,796,143	205,757	414,729	(7,334,834)	5,270,879
Comprehensive expense for the financial year						
Loss for the financial year	-	-	-	-	(5,069,728)	(5,069,728)
Total comprehensive expense for the financial year	-	-	-	-	(5,069,728)	(5,069,728)
Contributions by and distributions to owners						
Shares issued during the year	33,836	9,173,505	-	-	-	9,207,341
Share options	-	-	(205,757)	-	-	(205,757)
Share based payment	-	-	-	162,048	-	162,048
Total transactions with owners	33,836	9,173,505	(205,757)	162,048	-	9,163,632
At 30 September 2016 and 1 October 2016	222,920	20,969,648	-	576,777	(12,404,562)	9,364,783
Comprehensive expense for the financial year						
Loss for the financial year	-	-	-	-	(4,293,286)	(4,293,286)
Total comprehensive expense for the financial year	-	-	-	-	(4,293,286)	(4,293,286)
Contributions by and distributions to owners						
Shares issued during the year	3,422	996,578	-	-	-	1,000,000
Share based payment	-	-	-	460,553	-	460,553
Total transactions with owners	3,422	996,578	-	460,553	-	1,460,553
At 30 September 2017	226,342	21,966,226	-	1,037,330	(16,697,848)	6,532,050

CROWDCUBE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	2017 £	2016 £
Cash flows from operating activities		
Loss for the financial year	(4,704,584)	(5,362,321)
Adjustments for:		
Amortisation of intangible assets	93,809	93,809
Depreciation of tangible assets	35,870	45,204
Interest paid	799	923
Interest received	-	(522)
Increase in debtors	(147,509)	(147,507)
Increase in creditors	154,053	75,850
Foreign exchange movement in intangible asset	(5,058)	-
Corporation tax	-	3,698
Share based payment charge	460,553	162,048
Unrealised currency translation	15,700	9,640
Loss/(income) from participating interests	77,105	(31,189)
Net cash used in operating activities	(4,019,262)	(5,150,367)
Cash flows from investing activities		
Purchase of tangible assets	(1,379)	(55,351)
Loans to associates	(191,667)	-
Purchase of short term unlisted investments	(5,424)	(4,237)
Purchase of share in associates	-	(50,000)
Interest received	-	522
Net cash used in investing activities	(198,470)	(109,066)
Cash flows from financing activities		
Issue of ordinary shares	1,000,000	9,001,584
Interest paid	(799)	(923)
Net cash generated from financing activities	999,201	9,000,661
Net (decrease)/increase in cash and cash equivalents	(3,218,531)	3,741,228
Cash and cash equivalents at beginning of year	8,685,482	4,944,254
Cash and cash equivalents at the end of year	5,466,951	8,685,482
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,466,951	8,685,482

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. General information

Crowdcube Limited (the 'Company') is a company incorporated and domiciled in the UK. The address of the registered office is: Fourth Floor, Broadwalk House (South Block), Exeter, Devon, EX1 1TS. The principal activity of the Company and its subsidiaries (collectively, the "Group") is the provision of a crowdfunding platform.

2. Statement of compliance

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

3. Accounting policies

3.1 Basis of preparation of financial statements

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

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

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

3.2 Going concern

The Group has £5.4m of cash held on the balance sheet as at 30 September 2017 and based on forecast performance this will last for at least 12 months following the date of signing the financial statements. The directors are exploring potential funding opportunities in 2018 involving both crowd and institutional investors, consistent with its fundraising history to date. This additional funding will support future investment for growth in the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

3. Accounting policies (continued)

3.3 Basis of consolidation

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

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

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

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

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

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

3.4 Associates and joint ventures

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

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

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

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

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. Accounting policies (continued)

3.5 Revenue

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

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

3.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life of 5 years.

3.7 Tangible assets

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

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

Depreciation is provided on the following basis:

Office equipment	-	25%
Computer equipment	-	25%

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

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

3.8 Investments

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

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

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. Accounting policies (continued)

3.9 Debtors

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

3.10 Cash and cash equivalents

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

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

3.11 Financial instruments

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

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

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

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

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

3.12 Creditors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

3. Accounting policies (continued)

3.13 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

Translation

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

3.14 Finance costs

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

3.15 Operating leases

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

3. Accounting policies (continued)

3.16 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution pension plans

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

(iii) Share based payments

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

3.17 Interest income

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

3.18 Share Capital

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

3.19 Related party transactions

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

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

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

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

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

Share based payments

The Group is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes but does require inputs based on best estimates from management. Details of management assumptions and estimates are detailed in note 10.

Impairment of intangible assets and goodwill

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

5. Turnover

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

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	3,600,143	3,878,152
Rest of Europe	176,566	96,312
	<u>3,776,709</u>	<u>3,974,464</u>

6. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible assets	35,870	43,298
Amortisation of intangible assets, including goodwill	93,809	93,809
Operating lease rentals	399,407	345,416
Impairment of trade debtors	205	685
Share based payment	<u>460,553</u>	<u>162,048</u>

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

7. Auditors' remuneration

	2017 £	2016 £
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	<u>15,000</u>	<u>15,000</u>
Fees payable to the Group's auditors in respect of:		
Audit of the Company's subsidiaries	5,000	4,500
Tax advisory services	-	14,000
Tax compliance services	7,250	7,250
All other services	<u>18,500</u>	<u>74,500</u>

8. Employees

Staff costs were as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	3,674,380	3,930,018	3,450,095	3,930,018
Social security costs	386,391	479,274	386,391	479,274
Other pension costs	103,561	91,303	103,561	91,303
	<u>4,164,332</u>	<u>4,500,595</u>	<u>3,940,047</u>	<u>4,500,595</u>

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

	2017 Number	2016 Number
Employees	<u>79</u>	<u>85</u>

9. Directors' remuneration

	2017 £	2016 £
Aggregate directors' emoluments	<u>482,000</u>	<u>413,480</u>

The highest paid director received remuneration of £159,460 (2016: £132,875).

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. Share based payments

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

2017

8,574,502 options granted, vest in equal instalments over 4 years.

2016

7,310,506 options granted, vest in equal instalments over 4 years.

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

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

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 October	15,377,629	£0.030	15,250,320	£0.022
Granted	8,574,502	£0.076	7,310,506	£0.045
Exercised	-	£0.000	(390,270)	£0.022
Forfeited	(1,647,182)	£0.022	(6,792,927)	£0.027
Outstanding as at 30 September	22,304,949	£0.046	15,377,629	£0.030
Exercisable as at 30 September	5,647,771	£0.032	2,563,889	£0.024

The total charge for the year expensed to the profit and loss account was £460,553 (2016: £162,048).

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

	Year to 30 September 2017	Year to 30 September 2016
Expected life of options	4	4
Range of exercise prices (per option)	£0.073 - £0.080	£0.45
Market value of underlying shares	£0.29	£2.43
Risk free rate	0.25%	0.5%
Expected share price volatility	40%	40%
Range of fair values per option	£0.22	£1.99

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

CROWDCUBE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

11. Interest receivable and similar income

	2017 £	2016 £
Bank interest receivable	-	522
	<u> </u>	<u> </u>

12. Other interest payable and similar expenses

	2017 £	2016 £
Bank interest payable	799	817
Other loan interest payable	-	106
	<u>799</u>	<u>923</u>
	<u> </u>	<u> </u>

13. Intangible assets

Group

	Goodwill £
Cost	
At 1 October 2016	469,046
Foreign exchange movement	5,058
At 30 September 2017	<u>474,104</u>
Accumulated amortisation	
At 1 October 2016	93,809
Charge for the year	93,809
At 30 September 2017	<u>187,618</u>
Net book value	
At 30 September 2017	<u>286,486</u>
At 30 September 2016	<u>375,237</u>

CROWDCUBE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017****14. Tangible assets****Group**

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 October 2016	201,213	56,104	257,317
Additions	1,379	-	1,379
At 30 September 2017	<u>202,592</u>	<u>56,104</u>	<u>258,696</u>
Accumulated depreciation			
At 1 October 2016	92,828	54,253	147,081
Charge for the year	35,870	-	35,870
At 30 September 2017	<u>128,698</u>	<u>54,253</u>	<u>182,951</u>
Net book value			
At 30 September 2017	<u>73,894</u>	<u>1,851</u>	<u>75,745</u>
At 30 September 2016	<u>108,385</u>	<u>1,851</u>	<u>110,236</u>

CROWDCUBE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017****14. Tangible assets (continued)****Company**

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 October 2016	195,324	54,253	249,577
At 30 September 2017	195,324	54,253	249,577
Accumulated depreciation			
At 1 October 2016	92,828	54,253	147,081
Charge for the year	35,870	-	35,870
At 30 September 2017	128,698	54,253	182,951
Net book value			
At 30 September 2017	66,626	-	66,626
At 30 September 2016	102,496	-	102,496

CROWDCUBE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

15. Investments

Group

	Investments in associates £
Cost	
At 1 October 2016	81,189
Share of losses for the year	(77,105)
At 30 September 2017	<u>4,084</u>
Net book value	
At 30 September 2017	<u>4,084</u>
At 30 September 2016	<u>81,189</u>

Details of the principal subsidiaries, joint ventures and associates can be found under note 27.

Company

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost			
At 1 October 2016	2,417,271	50,000	2,467,271
Additions	286,996	-	286,996
At 30 September 2017	<u>2,704,267</u>	<u>50,000</u>	<u>2,754,267</u>
Net book value			
At 30 September 2017	<u>2,704,267</u>	<u>50,000</u>	<u>2,754,267</u>
At 30 September 2016	<u>2,417,271</u>	<u>50,000</u>	<u>2,467,271</u>

CROWDCUBE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

16. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Amounts owed by group undertakings	-	-	-	227,495
Loans to associates	191,667	-	191,667	-
	191,667		191,667	
Due within one year				
Trade debtors	53,052	54,158	14,999	24,766
Amounts owed by group undertakings	-	-	133,783	-
Other debtors	731,922	583,307	713,569	583,307
	784,974	637,465	862,351	608,073

Trade debtors are stated after provisions for impairment of £205 (2016: £685).

17. Current asset investments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Unlisted investments	15,883	10,459	12,137	10,459

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

18. Cash at bank and in hand

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	5,466,951	8,685,482	3,604,258	6,781,612

19. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	536,458	239,604	463,638	199,806
Other taxation and social security	139,003	128,780	139,003	128,780
Other creditors	351,015	504,039	356,615	504,037
	1,026,476	872,423	959,256	832,623

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

20. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	<u>992,524</u>	<u>647,924</u>	<u>1,066,155</u>	<u>846,027</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(887,473)</u>	<u>(681,417)</u>	<u>(820,253)</u>	<u>(641,620)</u>

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

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

21. Called up share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
114,239,564 (2016: 114,239,564) A Ordinary shares of £0.001 (2016: £0.001) each	114,240	114,240
37,990,090 (2016: 37,990,090) A Preference shares of £0.001 (2016: £0.001) each	37,990	37,990
42,541,180 (2016: 42,541,180) B Investment shares of £0.001 (2016: £0.001) each	42,541	42,541
24,726,930 (2016: 24,726,930) B Preference shares of £0.001 (2016: £0.001) each	24,727	24,727
6,844,623 (2016: 3,422,310) C preference shares of £0.001(2016: £0.001) each	6,844	3,422
	<u>226,342</u>	<u>222,920</u>

On 17 May 2017, 3,422,313 C preference shares with a nominal value of £0.001 per share were issued at £0.29 per share.

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

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

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

22. Reserves

Share premium account

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

Share based payment reserve

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

Foreign exchange reserve

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

Profit and loss account

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

23. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £103,561 (2015: £91,303).

24. Commitments under operating leases

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

	Group 2017 £	Group 2016 £
Not later than 1 year	163,172	141,484
Later than 1 year and not later than 5 years	25,164	14,749
	<u>188,336</u>	<u>156,233</u>

The Group had no other off-balance sheet arrangements.

25. Transactions with directors

At the year end, D Westlake owed the company £39,098 (2016: £39,098) in connection with drawings and unpaid share capital. This amount is included within other debtors.

At the year end, L Lang owed the company £19,079 (2016: £19,079) in connection with drawings and unpaid share capital. This amount is shown in other debtors.

26. Controlling party

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

CROWDCUBE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

27. Subsidiaries and related undertakings

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

Name	Country of incorporation	Class of shares	Holding	Principal activity
Crowdcube Capital Limited	UK	Ordinary	100 %	Provision of FCA regulated crowdfunder activities
Crowdcube Spain, S.L.	Spain	Ordinary	100 %	Provision of crowdfunding activities
JP Nominees Limited	UK	Ordinary	100 %	Nominee company
Crowdcube Nominees Limited	UK	Ordinary	100 %	Nominee company
Crowdfunder Limited	UK	Ordinary	26 %	Provision of crowdfunding activities

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

Name

Registered office

Crowdcube Capital Limited

Fourth Floor, Broadwalk House (South Block),
Exeter, Devon, England, EX1 1TS
Carrer de Rosselló 216, Planta 11, 08008,
Barcelona

Crowdcube Spain, S.L.

Fourth Floor, Broadwalk House (South Block),

JP Nominees Limited

Exeter, Devon, England, EX1 1TS

Crowdcube Nominees Limited

Fourth Floor, Broadwalk House (South Block),

Crowdfunder Limited

Exeter, Devon, England, EX1 1TS

First & Second Floor, 11 Cliff Road, Newquay,
Cornwall, TR7 2NE