

Registered number: 09095835

CROWDCUBE CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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CROWDCUBE CAPITAL LIMITED

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2. FINANCIAL STATEMENTS FOR THE YEAR

3. FINANCIAL STATEMENTS FOR THE YEAR

CROWDCUBE CAPITAL LIMITED

COMPANY INFORMATION

Directors

L J Lang
D M Westlake

Registered number

09095835

Registered office

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

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors present the Strategic Report for Crowdcube Capital Limited (the "Company") for the year ended 30 September 2020.

Business review

The principal activity of the Company is the provision of a crowdfunding platform. During the year the Company delivered a 2.3% increase in revenue and an equal increase in administrative expenses, commensurate with the pass through nature of the Company which continues to be structurally break-even.

At the Balance Sheet date the Company's net cash position was £2,243,852 (2019: £2,032,169).

Principal risks and uncertainties

Competition risk

The Company 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. The Company continuously monitors publicly available information relating to competitors in order to analyse competitors fees and clients. The Company also ensures transparency in their services and fees as well as ensuring positive promotion of its activities within the market to help mitigate this risk.

Brexit risk

Brexit, and the agreed trade agreement with the EU, could have a negative impact on the Company. The Company currently does not believe this presents a material risk due to a high concentration of business within the UK. The Company does not rely on passporting rules. The Company will continue to monitor Brexit details closely, particularly progress around future negotiations on finance services, and consider the need for additional plans as needed.

Regulatory risk

The Company is regulated by the Financial Conduct Authority ("FCA") in the UK. The withdrawal of regulatory authorisations, or the transfer of regulatory oversight to a new regulatory, could require the Company to cease or modify a significant part of its operations. Crowdcube Limited (the "Parent") has a dedicated regulatory team to ensure all regulations are complied with and that the Company can quickly adapt to any changes in the regulator environment if necessary.

COVID-19

COVID-19 continues to present a commercial risk to the Company in terms of both demand and sector focus. However, the Company is actively managing a shift in focus and value proposition to better support clients which remain resilient to periodic local and national restrictions. Equally, the Parent, on behalf of the group as a whole continues to monitor and participate in government support programmes where relevant.

Future developments

The Company remains focused on capturing market share in the equity funding market in the UK and is expecting stronger revenue growth in the financial year ended 30 September 2021 in a post COVID-19 trading environment. The proposed merger with Seedrs Limited will help accelerate these plans in late 2021.

Employees

The Company does not have any employees and all related paragraphs, for the Group as a whole, are disclosed in the financial statements of Crowdcube Limited.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Financial key performance indicators

The directors regularly review the following measures:

- Revenue of £7,379,826 (2019: £7,208,088)
- Cash balance of £2,243,852 (2019: £2,032,169)

Other KPIs monitored by the directors include:

- 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

Section 172 (1) Statement

While the activities of the Company remain limited in scope, the following sections summarise how the directors fulfil their duties:

Business Relationships and Standards

Our strategy continues to be focused on building long term, sustainable relationships with both our SME clients and platform investors. We seek to promote repeat business in the form of returning raises and multiple on platform investments. In order to support this ambition we continually seek to optimise both our technology and processes through regular review, development and customer feedback. Due to the structural nature of the Company we have a limited number of suppliers, primarily payment processing, through which we maintain close and collaborative working relationships through exclusive or multi-year contracts.

Specific actions include:

- Customer satisfaction surveys are sent to all successful fundraising companies to obtain feedback on quality of service, opportunities for improvement and overall experience.
- Embedded feedback tools are used to gain insights into all aspects of the investor journey and overall product experience and customer satisfaction.
- New product features are regularly released including a redesign of the investor portfolio, improved exports for investor tax returns, enhanced company trading status, apple authorisation and email preference centre to name a few.

Risk Management

As a regulated entity serving the Parent, particular attention is paid to both regulatory and market risk. All strategic and long term decision making is considered within this wider context as noted within the 'Principal Risks and uncertainties' sections of the Strategic Report.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Section 172 (1) Statement (continued)

Specific actions include:

- Approximately 2 weeks before each board meeting (every 2 months), the Head of Compliance and General Counsel meet to review: the draft risk register, the current breach register and the current complaint register. Existing risks are discussed and revised as necessary, new risks included and any material items from the breach or complaints register noted. Process also includes input from CFO and VP Finance, where required. Risk register circulated with board pack and discussed and noted at each board meeting.
- Membership is maintained within two leading industry associations, the UK Crowdfunding Association and the European Crowdfunding Network. These groups provide a forum for outlining best practices, sharing knowledge and promoting greater transparency across the wider market.
- Each year an annual review of client asset and fund procedures is reported to the directors along with the completion of the Internal Capital Adequacy Assessment Process (ICAAP) and associated risk assessments.

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term;
- b. the need to foster the Company's business relationships with suppliers, customers and others; and
- c. the desirability of the Company maintaining a reputation for high standards of business conduct.

This report was approved by the board and signed on its behalf by:



D M Westlake
Director

Date: 22 January 2021

CROWDCUBE CAPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present their annual report and the audited financial statements of Crowdcube Capital Limited (the "Company") for the year ended 30 September 2020.

Results and dividends

The result for the financial year amounted to £Nil (2019: £Nil).

No dividends were paid or proposed in the financial year (2019: £Nil).

Directors

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

L J Lang
D M Westlake

Financial risk management

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

With regard to liquidity risk the Company actively manages cash and has been provided with a letter of support from the Parent which will cover any cash shortfalls should they arise for at least 12 months from the date of signing.

Section 172 (1) Statement

All section 172 disclosures that are required to be made in the Directors' Report have been included in the Strategic Report on page 3 and 4.

Going concern

The Company continues to operate as a direct pass through for all regulated revenue including commission fees, completions fees and investment fees. As such, all revenue reflects invoiced and collected fees and all expenditure represents amounts charged to the Company by its Parent Company to collect and transfer up such revenue. This structural relationship ensures that Crowdcube Capital should not generate a profit or loss nor generate or utilise operating cash.

Most cash held on the Balance Sheet relates directly to the regulatory capital requirement of £1,965,000 with a small surplus reflecting collected and as yet transferred up fees, owed to the Parent. However as there is a high level of co-dependence between the Company and its Parent Company a Directors letter has been provided guaranteeing that should either capital requirements increase or unforeseen circumstance arise, the Parent Company is prepared to provide all necessary capital for up to 12 months from the date of this report to ensure the Company remains a going concern.

Qualifying third party indemnity provisions

The directors benefit from an indemnity provision provided through Directors' and Officers' insurance which covers both the Parent and the Company.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Disclosure of information to auditors

In the case of each director in the 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 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 Company's auditors are aware of that information.

Post balance sheet event

On 2 October 2020 the Parent Company entered into an agreement to acquire all the outstanding share capital of Seedrs Limited. The proposed merger was announced on 5 October 2020 and currently remains under regulatory investigation by both the FCA and the Competition and Markets Authority (the "CMA"). An outcome of both reviews is expected in May 2021, at which point the merger would be likely to be formally completed. As the Company will continue to trade and remain part of the same group post merger and maintain its current regulatory status there is no impact expected on the Company from this transaction.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Independent auditors

Under section 487(2) of the Companies Act 2006, an independent auditor will be appointed 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. However, once all 2020 year end audits for the Group have been completed, the Company has voluntarily elected to begin a tender process to identify and appoint an independent auditor, which may be a different firm.

This report was approved by the board and signed on its behalf by:



D M Westlake
Director

Date: 22 January 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWDCUBE CAPITAL LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Crowdcube Capital Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of its result 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 Balance sheet as at 30 September 2020; the Statement of comprehensive income and the Statement 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 Company 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 where:

- 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 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 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 CAPITAL 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 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 Company and its 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 6, 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 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 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.

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

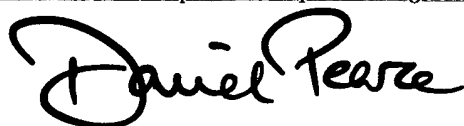
Other required reporting

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.



Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
22 January 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

		2020 £	2019 £
Turnover	4	7,379,826	7,208,088
Administrative expenses		(7,379,826)	(7,208,088)
Result before taxation		<u>-</u>	<u>-</u>
Tax on result	7	-	-
Result for the financial year		<u>-</u>	<u>-</u>
Total comprehensive result for the financial year		<u>-</u>	<u>-</u>

The current year and prior year comprehensive result for the Company is entirely from continuing operations.

The notes on pages 14 to 20 form part of these financial statements.

CROWDCUBE CAPITAL LIMITED
REGISTERED NUMBER: 09095835

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	2020 £	2019 £
Current assets			
Debtors	8	825,651	614,619
Cash at bank and in hand	9	2,243,852	2,032,169
		<u>3,069,503</u>	<u>2,646,788</u>
Creditors: amounts falling due within one year	10	(1,104,722)	(817,007)
Net current assets		<u>1,964,781</u>	<u>1,829,781</u>
Total assets less current liabilities		<u>1,964,781</u>	<u>1,829,781</u>
Capital and reserves			
Called up share capital	11	1,965,000	1,830,000
Profit and loss account	12	(219)	(219)
Total shareholders' funds		<u>1,964,781</u>	<u>1,829,781</u>

The financial statements on pages 11 to 20 were approved and authorised for issue by the board and were signed on its behalf by:



D M Westlake
Director

Date: 22 January 2021

The notes on pages 14 to 20 form part of these financial statements.

CROWDCUBE CAPITAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Called up share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 1 October 2018	1,830,000	(219)	1,829,781
Comprehensive result for the financial year			
Result for the financial year	-	-	-
Total comprehensive result for the financial year	-	-	-
At 30 September 2019 and 1 October 2019	1,830,000	(219)	1,829,781
Comprehensive result for the financial year			
Result for the financial year	-	-	-
Total comprehensive result for the financial year	-	-	-
Contributions by and distributions to owners			
Shares issued during the financial year	135,000	-	135,000
Total transactions with owners	135,000	-	135,000
At 30 September 2020	1,965,000	(219)	1,964,781

The notes on pages 14 to 20 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

1. General information

Crowdcube Capital Limited's (the "Company") principal activity is the provision of a crowdfunding platform.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is: Fourth Floor, Broadwalk House (South Block), Exeter, Devon, England, EX1 1TS.

2. Accounting policies

2.1 Basis of preparation of financial statements

The 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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

Accounting policies have been applied consistently in the current year and prior year.

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Crowdcube Limited as at 30 September 2020 and these financial statements may be obtained from Fourth Floor, Broadwalk House (South Block), Exeter, Devon, England, EX1 1TS.

2.3 Going concern

The Company continues to operate as a direct pass through for all regulated revenue including commission fees, completions fees and investment fees. As such, all revenue reflects invoiced and collected fees and all expenditure represents amounts charged to the Company by its Parent Company to collect and transfer up such revenue. This structural relationship ensures that Crowdcube Capital should not generate a profit or loss nor generate or utilise operating cash.

Most cash held on the Balance Sheet relates directly to the regulatory capital requirement of £1,965,000 with a small surplus reflecting collected and as yet transferred up fees, owed to the Parent. However as there is a high level of co-dependence between the Company and its Parent Company a Directors letter has been provided guaranteeing that should either capital requirements increase or unforeseen circumstance arise, the Parent Company is prepared to provide all necessary capital for up to 12 months from the date of this report to ensure the Company remains a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.4 Turnover

Turnover is comprised of Commission fees, Completions Fees and Investment Fees. Commission fees and completions fees are payable by the raising company and deducted from funds raised during the closing of the round. Investment fees are paid by the investors and reflect an additional fee on top of the pledged investment sum. These fees are similarly taken at source during the completions and draw down process.

In all three cases, turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

For all three revenue streams, turnover is recognised once the funding requirement of a raise has been achieved, following a 7 day cooling off period, in which Investors can withdraw. Since the revenue earned is contingent upon a successful raise, turnover is not recognised until there is both a successful raise and the 7 day cooling off period has ended.

2.5 Administrative expenses

Administrative expenses represent amounts charged to the Company by its parent Company to represent expenses re-charged to the Company on a monthly basis.

2.6 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.

2.7 Cash and cash equivalents

Cash is represented by cash in hand, cash held with our payment processor Stripe and deposits with financial institutions. 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.

2.8 Financial instruments

The Company is applying Section 11 of FRS 102 for the accounting for financial instruments.

The Company only enters into basic financial instrument 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 debtors and creditors, 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 that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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 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.

2.9 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.

2.10 Current 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

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

The directors do not consider there to be any critical judgements in applying the entity's accounting policies in either the current or prior year, or any estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities.

4. Turnover

The whole of the turnover is attributable to commission and other fees generated by its investment crowdfunding platform.

All turnover arose within the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

5. Auditors' remuneration

Fees paid to the Auditors' of the Company are as follows:

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>7,000</u>	<u>5,580</u>
Fees payable for other assurance services required by legislation	<u>31,000</u>	<u>25,125</u>

All fees paid to the auditors' remuneration is paid on the Company's behalf by Crowdcube Limited, with no recharge being made to this company (as in 2019).

6. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2019: £Nil).

The directors of the Company are directors of the Parent Company, Crowdcube Limited. The emoluments of the directors of the Company, for their services to the Group as a whole are disclosed in the financial statements of Crowdcube Limited.

7. Tax on result

	2020 £	2019 £
Corporation tax		
Current tax on result for the year	-	-
Total current tax	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

7. Tax on result (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019: the same as) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) as set out below:

	2020 £	2019 £
Result before taxation	-	-
Result before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	-	-
Total tax charge for the financial year	-	-

Factors that may affect future tax charges

Changes to the UK Corporation tax rates were substantively enacted on 7 September 2016 to reduce the main rate of Corporation tax to 17% from 1 April 2020 and deferred tax balances at the Balance Sheet date have been measured using this rate.

A further change was substantively enacted on 17 March 2020 to maintain the rate at 19%.

8. Debtors

	2020 £	2019 £
Trade debtors	242,366	43,176
Other debtors	46,611	4,512
Prepayments and accrued income	536,674	566,931
	825,651	614,619

9. Cash at bank and in hand

	2020 £	2019 £
Cash at bank and in hand	2,243,852	2,032,169

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

10. Creditors: amounts falling due within one year

	2020 £	2019 £
Amounts owed to group undertakings	568,048	250,076
Accruals and deferred income	536,674	566,931
	<u>1,104,722</u>	<u>817,007</u>

11. Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1,965,000 (2019: 1,830,000) Ordinary shares of £1 (2019: £1) each	<u>1,965,000</u>	<u>1,830,000</u>

On 1 October 2019, 135,000 ordinary shares with a nominal value of £1 per share were issued for cash at £1 per share.

- A. On a show of hands every shareholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy, unless the proxy (in either case) or the representative is himself a shareholder entitled to vote, shall have one vote and on a poll every member shall have one vote for every share of which he is the holder.
- B. The shares all rank *pari passu* as respects dividend distributions.
- C. Each share is entitled *pari passu* to participate in a distribution arising from a winding up of the Company.
- D. The shares are not redeemable.

12. Reserves

Profit and loss account

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

13. Contingent liabilities

Between May 2017 and December 2019, the Company made 78 interest payments on behalf of mini-bond issuers as part of ongoing administration and registrar services. These 78 payments were made gross of withholding tax, based on a misinterpretation of advice surrounding a withholding tax exemption introduced in April 2017 through the Finance Act 2017. Upon further review these payments should have been made net of withholding tax totalling £959,978.

The Company has rectified this mistake as of December 2019 and is now making all payments net of the required 20% withholding tax. The Company does not believe there to be any tax liability, however there is the potential for penalties to be due. Such penalties are estimated by the directors as £213,000 but are expected to be lower and partially reimbursable through insurance. An unprompted and voluntary disclosure was made to HMRC immediately upon discovery of the error, however there is uncertainty about the penalties or timing of these until there is a reply from HMRC which indicates their position on the matter. There is no further update from HMRC on their position during the financial year and up to date of signing of these financial statements. Therefore, based on this and on the legal advice received the directors assess that the probability of a penalty is not remote but is not probable at the date of the signing of these financial statements.

14. Related party transactions

The Company has taken advantage of the exemption, under FRS 102 paragraph 33.2, from disclosing transactions with members of the same group that are wholly owned.

In the year, the Company entered into two transactions with entities where a director, or close family member, of the Parent of the Company. These transactions were in respect of crowdfunding services and generated total revenue of £20,551 for the Company.

15. Ultimate parent undertaking and controlling party

The Company's immediate and ultimate parent is Crowdcube Limited, a company registered in England and Wales. Crowdcube Limited heads up the smallest and largest group for which consolidated financial statements are drawn up. Copies of the Group financial statements of Crowdcube Limited are available from Fourth Floor, Broadwalk House (South Block), Exeter, Devon, England, EX1 1TS.

16. Post balance sheet event

On 2 October 2020 the Parent Company entered into an agreement to acquire all the outstanding share capital of Seedrs Limited. The proposed merger was announced on 5 October 2020 and currently remains under regulatory investigation by both the FCA and the Competition and Markets Authority (the "CMA"). An outcome of both reviews is expected in May 2021, at which point the merger would likely formally complete. As the Company will continue to trade and remain part of the same group post merger and maintain its current regulatory status there is no impact expected on the Company from this transaction.