INDEPENDENT AUDITOR'S REPORT

Consolidated Financial Statements for the year ended 31 December 2013

Cashcloud AG
Basel, Switzerland

until 13 February 2015:
Cashcloud Holding AG

KPMG AG Wirtschaftsprüfungsgesellschaft

Independent Auditor’s Report

To Cashcloud AG, Basel

We have audited the accompanying consolidated financial statements of Cashcloud AG (until February 13, 2015: Cashcloud Holding AG) (the “Company”) and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013, December 31, 2012 and December 31, 2011, and the consolidated statements of comprehensive income, changes in equity and cashflows for the years ended December 31, 2013 and December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company’s preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Cashcloud AG (until February 13, 2015: Cashcloud Holding AG) and its subsidiaries, as at December 31, 2013, December 31, 2012 and December 31, 2011, and of its financial performance and its cashflows for the years ended December 31, 2013 and December 31, 2012 in accordance with IFRSs as issued by the International Accounting Standards Board (IASB).

Emphasis of Matter

Without qualifying our opinion, we draw attention to management's explanations expressed in the notes to the consolidated financial statements. In note 2.2 "Going concern basis of accounting" management explains that the Company needs additional capital to meet its future cash requirements and to execute its business strategy, which requires that continuous successful financing by shareholders or other external parties is required until the group is able to generate sufficient operating cashflows that will allow the Company to continue as a going concern.

These conditions, along with other matters as set forth in note 2.2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Mannheim, 11 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rackwitz	Armbruster
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

Cashcloud AG

(until 13 February 2015: Cashcloud Holding AG)

Basel/Switzerland

Consolidated financial statements

for the year ended 31 December 2013

Cashcloud AG (until 13 February 2015: Cashcloud Holding AG), Basel/Switzerland

Consolidated Balance Sheets as of December 31

Assets	Note	2013	2012	2011
		'000 CHF	'000 CHF	'000 CHF
Non-current assets				
Intangible assets	*16*	0.4	0.0	0.0
Property, plant and equipment	*17*	22.1	16.1	0.0
Deposits	*18*	14.4	8.6	0.0
Total Non-current assets		**36.9**	**24.7**	**0.0**
Current assets				
Inventories	*19*	21.8	0.0	0.0
Trade and other receivables	*20*	42.8	763.9	676.4
Prepayments and other current assets		1.6	0.9	0.0
Cash and cash equivalents	*21*	455.1	13.0	832.7
Total Current assets		**521.3**	**777.8**	**1,509.1**
Total Assets		**558.2**	**802.4**	**1,509.1**

Equity and liabilities	Note	2013	2012	2011
		'000 CHF	'000 CHF	'000 CHF
Equity				
Share capital	*22*	1,760.0	1,500.0	1,500.0
Share premium	*23*	2,009.0	122.1	122.1
Translation Reserve	*23*	-29.6	-3.6	-5.6
Accumulated deficit		-3,409.6	-1,046.0	-173.0
Total Equity		**329.8**	**572.5**	**1,443.4**
Liabilities				
Current liabilities				
Loans and borrowings	*24*	24.9	0.0	0.0
Trade accounts payable	*25*	93.5	17.2	0.0
Other current liabilities	*25*	22.0	0.0	19.1
Provisions	*25*	88.0	212.8	46.6
Total Current liabilities		**228.4**	**229.9**	**65.7**
Total liabilities		**228.4**	**229.9**	**65.7**
Total Equity and liabilities		**558.2**	**802.4**	**1,509.1**

The accompanying notes are an integral part of these consolidated financial statements.

Cashcloud AG (until 13 February 2015: Cashcloud Holding AG), Basel/Switzerland

Consolidated Statements of Comprehensive Income for the years ended December 31

	Note	2013	2012
		'000 CHF	'000 CHF
Revenue	*8*	0.4	0.0
Other operating income	*9*	12.1	0.0
Costs for purchased services and consumables	*10*	235.1	0.0
Employee benefit expenses	*11*	766.4	124.6
Depreciation and amortisation expense		7.1	0.9
Other operating expenses	*12*	1,353.4	759.6
		----------------	----------------
Operating Profit or Loss		**-2,349.6**	**-885.1**
Finance expense	*13*	22.5	9.9
Finance income	*13*	16.2	22.1
		----------------	----------------
Financial Result		**-6.3**	**12.2**
Profit or loss before tax		**-2,355.9**	**-873.0**
Income tax expenses	*14*	7.8	0.0
		----------------	----------------
Net profit or loss for the period		**-2,363.6**	**-873.0**
		============	============
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**-26.0**	**2.0**
		----------------	----------------
Other comprehensive income for the period		**-26.0**	**2.0**
		============	============
Total comprehensive income for the period		**-2,389.7**	**-870.9**
		============	============
Profit or loss attributable to equity holders of the Group		-2,363.6	-873.0
Total comprehensive income attributable to the equity holders of the Group		-2,389.7	-870.9
Basic earnings per share	*15*	**-0.28**	**-0.12**
Diluted earnings per share	*15*	**-0.28**	**-0.12**

The accompanying notes are an integral part of these consolidated financial statements.

Cashcloud AG (until 13 February 2015: Cashcloud Holding AG), Basel/Switzerland

Consolidated Statements of Changes in Equity for the years ended December 31

	Attributable to owners of the Group				
in '000 of CHF	Share Capital	Share Premium	Translation Reserve	Accumulated deficit	Total
Balance at 31 December 2011	**1,500.0**	**122.1**	**-5.6**	**-173.0**	**1,443.4**
Total comprehensive Income					
Net profit or loss for the period	-	-	-	-873.0	-873.0
Other comprehensive income	-	-	2.0	-	2.0
Total comprehensive income	**0.0**	**0.0**	**2.0**	**-873.0**	**-870.9**
Balance at 31 December 2012	**1,500.0**	**122.1**	**-3.6**	**-1,046.0**	**572.5**

in '000 of CHF	Share capital	Share Premium	Translation Reserve	Accumulated deficit	Total
Balance at 31 December 2012	**1,500.0**	**122.1**	**-3.6**	**-1,046.0**	**572.5**
Total comprehensive Income					
Net profit or loss for the period	-	-	-	-2,363.6	-2,363.6
Other comprehensive income	-	-	-26.0	-	-26.0
Total comprehensive income	**0.0**	**0.0**	**-26.0**	**-2,363.6**	**-2,389.7**
Transactions with owners of the Company					
Issue of ordinary shares	260.0	1,830.3	-	-	2,090.3
Equity-settled share-based payments	-	56.7	-	-	56.7
Total contributions and distributions	**260.0**	**1,886.9**	**0.0**	**0.0**	**2,146.9**
Total transactions with owners of the company	**260.0**	**1,886.9**	**0.0**	**0.0**	**2,146.9**
Balance at 31 December 2013	**1,760.0**	**2,009.0**	**-29.6**	**-3,409.6**	**329.8**

The accompanying notes are an integral part of these consolidated financial statements.

Cashcloud AG (until 13 February 2015: Cashcloud Holding AG), Basel/Switzerland

Consolidated Statements of Cash Flows for the years ended December 31

	2013	2012
	'000 CHF	'000 CHF
Cash flows from operating activities		
Net profit or loss for the period	-2,363.6	-873.0
Adjustments for:		
Depreciation of property, plant and equipment	6.8	0.9
Amortisation of intangible fixed assets	0.3	0.0
Interest income	-15.1	-22.1
Interest expense	3.0	3.2
Share-based payment expense	56.7	0.0
Income tax expense	7.8	0.0
	----------------	----------------
	-2,304.2	-890.9
Increase / Decrease in trade and other receivables	720.4	-88.4
Increase / Decrease in inventories	-21.8	0.0
Decrease / Increase in trade and other payables	98.4	-1.9
Decrease / Increase in provisions and employee benefits	-124.8	166.2
	----------------	----------------
Cash used in operations	**-1,632.0**	**-815.1**
Income taxes paid	-7.8	0.0
	----------------	----------------
Net cash flows from operating activities	**-1,639.8**	**-815.1**
Investing activities		
Purchases of property, plant and equipment	-12.8	-17.0
Purchase of intangibles	-0.7	0.0
Purchase of financial assets	-5.9	-8.6
Interest received	15.1	22.1
	----------------	----------------
Net cash from / (used) in investing activities	**-4.2**	**-3.5**
Financing activities		
Proceeds from borrowings	24.9	0.0
Interest paid	-3.0	-3.2
Proceeds from issuing of share capital	2,090.3	0.0
	----------------	----------------
	2,112.2	**-3.2**
Net increase in cash and cash equivalents	468.2	-821.8
Cash and cash equivalents at beginning of the period	13.0	832.7
Effect of exchange rate fluctuations on cash and cash equivalents	-26.0	2.0
	----------------	----------------
Cash and cash equivalents at end of the period	**455.1**	**13.0**
	===========	===========

The accompanying notes are an integral part of these consolidated financial statements.

Cashcloud AG (until 13 February 2015: Cashcloud Holding AG), Basel/Switzerland

Notes to the consolidated financial statements

for the year ended 31 December 2013

1. Reporting Entity

Cashcloud AG (until 13 February 2015: Cashcloud Holding AG) ('Cashcloud AG' or the 'Company') is a company domiciled in Switzerland. The address of the Company's registered office is Steinenberg 19, 4051 Basel, Switzerland. These consolidated financial statements as at and for the years ended 31 December 2013 and 31 December 2012 comprise the Company and its subsidiaries as described in Note 2.6 *Basis of consolidation* (together referred to as the 'Group' and individually as 'Group entities').

The Group is primarily involved in the development and marketing of a mobile eWallet application including a mobile payment system for smartphones running on Apple iOS and Google Android products.

The Group did not present financial statements for previous periods.

2. Basis of preparation

2.1. General

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4 *Critical accounting estimates and judgments*.

The consolidated financial statements were authorised for issue by the Board of Directors (Verwaltungsrat) on 27 February 2015.

2.2. Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet mandatory repayment terms of the Group's debt facilities and other liabilities.

As described in the following, the Company needs additional capital to meet its future cash requirements and to execute its business strategy, which requires that continuous successful financing by shareholders or other external parties is required until the group is able to generate sufficient operating cash flows that will allow the Company to continue as a going concern. The Company's lack of capital and existing debt defaults could require it to cease operations without further funding. To maintain its current level of business operations and meet its current debt obligations, the Company will be required to obtain additional capital through either equity or debt financing. There can be no assurance that additional equity or debt financing will be available to the Company on commercially reasonable terms or at all. Failure to obtain additional capital could result in insolvency, foreclosure and possible bankruptcy of the Company. These factors raise a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Based on the current economic development of the Group, management considers the current business plan as showing a realistic and achievable scenario that the Group will be able to maintain adequate resources to continue in operational existence for the foreseeable future. The main premises underlying this scenario include the assumptions that sufficient capital will be available in order to invest in planned marketing actions and development intensity. These premises will in a very directly manner determine the level of achievable business volume.

The Group has recognized a net loss of CHF 2.4 million for the year ended December 31, 2013, and an accumulated deficit of 3.4 million as of December 31, 2013. According to the business plan, the Group is not expected to achieve positive net income before January 2017, and the external funding requirements for the coming 24 months amount to CHF 11 million (excluding capital increase of 27 November 2014 described in Note 30 *Events after the reporting date*). This external financing – as usual with start-up companies – is at present not yet fully available. Based on cooperation with existing investors as well as the current negotiations with potential new investors, the board is convinced that the existence of the Group will be secured – especially in the next two years – and the correspondingly planned external financing rounds can be realized with sufficient amounts. This belief is supported by the fact that a capital increase was performed in November 2014 amounting to CHF 3.2 million (see Note 30 *Events after the reporting date)* by one major investor.

If, contrary to management's expectations, the economic development of the Group should develop less quickly than expected, management has the ability and intent to reduce the financing needs (e.g. through lower deposit requirements for payment transaction volume). As a consequence, even in a weaker scenario, the board is convinced that the Group will be able to raise the required external financing for at least the next two years.

Management acknowledges that a material uncertainty exists over the Group's ability to meet its funding requirements and to refinance or repay its debt facilities and other liabilities as they fall due. However, as described above, management has a reasonable expectation that the Group will be able to raise adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements. The financial statements do not include adjustments that might result from the outcome of this uncertainty.

2.3. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for equity-settled share-based payment expenses, which are measured at fair value at grant date.

2.4. Functional currency and presentation currency

These consolidated financial statements are presented in Swiss Francs (CHF), which is also the Company's functional currency. All financial information presented in CHF has been rounded to the nearest hundreds, unless otherwise stated.

2.5. First-time adoption of IFRS, Changes in accounting policies

As required by IFRS 1 *First-Time Adoption of IFRS*, the Company uses the same accounting policies in its opening statement of financial position as of 1 January 2012 / 31 December 2011 and throughout all periods presented in its first consolidated IFRS financial statements.

Consequently, there have been no changes in accounting policies throughout any of the periods presented.

The Company's accounting policies comply with each IFRS effective as of 31 December 2013, including the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application as of 1 January 2013:

- *IFRS 10 Consolidated Financial Statements (2011)*, which introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10 (2011) and the provisions on first-time adoption of IFRS as laid out in IFRS 1, the Group assessed the control conclusion for all Group entities in accordance with IFRS 10 in its opening statement of financial position as of 1 January

2012 / 31 December 2011 and throughout all periods presented in its first consolidated IFRS financial statements. As a consequence, the Company concluded that it had control over Cashcloud AG, Luxemburg (CCLUX), as of the date of its opening statement of financial position and throughout all periods presented, although the Company owned no voting rights in CCLUX prior to 9 April 2013. See Note 2.6 *Basis of consolidation*.

- *IFRS 12 Disclosure of Interests in Other Entities*: The Group has complied with the disclosure requirements about its interests in subsidiaries as required by IFRS 12.
- *Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*: The group has complied with the amendments to IFRS 7, which relate to the disclosures about the offsetting of financial assets and financial liabilities
- *IFRS 13 Fair Value Measurement*: IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The Group has complied with the additional disclosure requirements in this regard.
- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)*: As a result of the amendments to IAS 1, the Group has complied with the presentation of items of OCI in its statement of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be.

2.6. Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For all periods presented, the Group also comprises the operations of Cashcloud AG, Luxemburg (CCLUX). The Company acquired 100% of the voting rights in CCLUX as of April 9, 2013 via a contribution in kind by the Company’s parent. The Company concluded that it had control over CCLUX as of the date of its opening statement of financial position and throughout all periods presented – although the Company owned no voting rights in CCLUX prior to 9 April 2013 – because the Company directed the relevant activities of CCLUX through means other than voting rights. See Note 27 *Group entities*.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all Group entities, unless otherwise stated.

3.1. Foreign Currency

3.1.1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss.

3.1.2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

3.2. Financial instruments

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

The Group has not classified any of its financial assets as held to maturity, as financial assets at fair value through profit or loss, or as available-for-sale during any of the periods presented.

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and liabilities are initially recognised on the trade date.

3.2.1. Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.2.2. Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the statement of cash flows.

3.2.3. Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments as they include no contractual obligation to either (i) deliver cash or another financial asset to another entity, or (ii) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

3.3. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes (i) the cost of materials and direct labour; (ii) any other costs directly attributable to bringing the assets to a working condition for their intended use; (iii) when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and (iv) capitalised borrowing costs, if applicable.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Fixtures and fittings: 5 years

Computer equipment: 4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.4. Intangible assets

3.4.1. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

For all of the periods presented, we have determined that the conditions for recognizing internally generated intangible assets from our development activities were not met. Therefore, expenditure on development activities was recognised in profit or loss as incurred.

The aggregate amount of research and development expense recognised as an expense in 2013 amounts to CHF 859k (2012: CHF 353k).

3.4.2. Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

3.4.3. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3.4.4. Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

3.5. Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on weighted average cost and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.6. Impairment

3.6.1. Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.6.2. Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7. Employee benefits

3.7.1. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.7.2. Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

3.8. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.9. Revenue

Revenues of the Group consist of fees that are received from the Company's customers for IT services provided in regard of money transactions, and service charges received from customers in connection with the issuing of credit cards. Customers include both private users as well as corporate users (e.g. internet shops).

Provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the Group, revenue for services is recognised in the period in which they are rendered.

3.10. Finance income and finance expense

As applicable, finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

As applicable, finance expense generally comprises interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.11. Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

3.11.1. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. If applicable, current tax payable also includes any tax liability arising from the declaration of dividends.

3.11.2. Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11.3. Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4. Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are discussed in the following notes.

A. Judgements

2.2. Going concern basis of accounting

2.6., 27. Basis of consolidation: Determination whether the Company had control over Cashcloud AG, Luxemburg (CCLUX) before the Company acquired 100% of the voting rights in CCLUX as of April 9, 2013

3.4.1. Research and development: Determination of whether the conditions for recognizing internally generated intangible assets from our development activities are met

B. Assumptions and estimation uncertainties

26. Share-based payment arrangements

5. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early, and the group has not yet completed the determination of the expected impact on the financial statements.

- Improvements to IFRS 2010 – 2012: Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38, which will become effective for fiscal year 2014.
- Improvements to IFRS 2011 – 2013: Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40, which will become effective for fiscal year 2015.
- Improvements to IFRS 2012 – 2014: Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34, which will become effective for fiscal year 2016.
- IFRS 9 (2014) – Financial Instruments, which will be applicable in fiscal year 2018. The new guidance is expected to mainly impact the classification and measurement of financial assets and will result in additional disclosures.
- IFRS 15 – Revenue from Contracts with Customers: The standard becomes effective in fiscal year 2017 with earlier application permitted. The standard foresees different alternative approaches for the adoption of the new guidance. We have not yet taken a decision which of these alternatives we intend to apply.

- Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets). The amendments become applicable in fiscal year 2016 financial statements and clarify that – in general – the use of revenue-based methods to calculate the depreciation/amortization is not appropriate (this presumption, however, can be rebutted in certain limited circumstances for intangibles).
- Amendments to IAS 1 – Disclosure Initiative. The amendments become mandatory for fiscal year 2016. Amongst other things, the amendments clarify that disclosures are required only if their content is material, and amend the rules for presentation of items of other comprehensive income.

6. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

7. Operating segments

The Group currently has only one operating segment, which is the mobile payment division.

Generally, geographical segmentation is divided between Europe and Rest of World. However, currently only accounts from users in European countries generate revenues. Thus, a geographical segmentation is currently not applicable.

The Company's segment is managed on a worldwide basis. Facilities and offices primarily operated in Switzerland, Luxembourg, Germany and Romania.

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue

Revenue recognised in 2013 relates to customers in Germany, The Netherlands, Spain and France.

Non-current assets (see note below)

	2013 CHF '000	2012 CHF '000
Switzerland	0,0	0,0
All foreign countries		
Luxembourg	13,4	16,1
Germany	6,2	0,0
Romania	3,0	0,0
	----------	----------
Total	22,5	16,1
	========	========

Note: excluding financial instruments, deferred tax assets and financial instruments.

8. Revenue

	Revenues	
	2013	2012
	CHF '000	CHF '000
Card issuing fees	0.4	0.0
	----------	----------
Total	*0.4*	*0.0*
	========	========

The launch of MasterCard/NFC function in November 2013 has created first revenues from core operations for the cashcloud group and relates to management services provided by the group in connection with the issuance of MasterCard/NFC stickers to the group's customers via the cashcloud eWallet application. Such fees are invoiced to customers as an annual fee.

9. Other operating income

Other operating income arises mainly from customer services to external customers. Since this is not considered to be part of the main revenue generating activities, the Group presents this income separately from revenue.

In addition, other operating income mainly results from insurance reimbursements.

	Other operating income	
	2013	2012
	CHF '000	CHF '000
Customer Service to external customers	11.1	0.0
Other	1.0	0.0
	----------	----------
Total	12.1	0.0
	========	========

10. Costs of purchased services and consumables

	Costs for purchased services and consumables	
	2013	2012
	CHF '000	CHF '000
Purchased consumables	26.3	0.0
Purchased Services	208.8	0.0
	----------	----------
Total	235.1	0.0
	========	========

Purchased services comprise mainly the costs for external IT server provider, for external management and operation of e-money accounts and the services from the MasterCard issuer.

11. Employee benefit expenses

	Employee benefit expenses	
	2013	2012
	CHF '000	CHF '000
Wages and salaries	609.4	111.1
Social security contributions	100.4	13.5
Share-based payment awards	56.7	0.0
	----------	----------
Total	766.4	124.6
	========	========

12. Other operating expenses (including operating leases)

	Other operating expenses	
	2013	2012
	CHF '000	CHF '000
Consulting	93.6	490.5
IT development	547.7	34.1
Marketing	232.3	19.4
Legal & accounting	283.9	168.5
Travelling costs	60.5	9.8
Other	135.4	37.3
	----------	----------
Total	1,353.4	759.6
	========	========

Other operating expenses include lease expenses incurred in connection with operating lease arrangements (mainly office space) of CHF 27.6k (2012: CHF 13.0k). At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	Future minimum lease payments	
	2013	2012
	CHF '000	CHF '000
Less then one year	27.6	13.0
Between one and five years	0.0	0.0
More than five years	0.0	0.0
	----------	----------
Total	27.6	13.0
	========	========

13. Finance income and finance expense

	2013 CHF '000	2012 CHF '000
Finance income		
Interest received on deposits	15.1	22.1
Currency income	1.1	0.0
	----------	----------
Total finance income	16.2	22.1
	========	========
Finance expense		
Interest expense on financial liabilities	3.0	3.2
Currency costs	19.6	6.7
	----------	----------
Total finance expense	22.5	9.9
	========	========
Net finance income (+)/expense (-)	-6.3	12.2
	========	========

The amount of net exchange losses recognised in profit or loss in 2013 (2012) is CHF 18.5k (CHF 6.7k).

14. Taxes

Taxes recognized in profit or loss

	2013 CHF '000	2012 CHF '000
Tax recognised in profit or loss		
Current tax on profits for the year	7.8	0.0
	----------	----------
Total current tax	7.8	0.0
	========	========
Total	7.8	0.0
	========	========

Reconciliation of effective tax rate

	2013 %	2013 CHF '000	2012 %	2012 CHF '000
Profit or loss before tax		-2,355.9		-873.0
thereof:				
Luxembourg operations		*-2,098.3*		*-596.4*
German operations		*-13.9*		*0.0*
Romanian operations		*3.1*		*0.0*
domestic (CH) operations		*-246.7*		*-276.6*
	========	========	========	========
Tax using Company's domestic tax rate	20.0%	-471.2	20.0%	-174.6
Tax rate differences	1.0%	-22.6	0.7%	-6.0
Current year losses for which no deferred tax asset is recognized	-21.0%	493.8	-20.7%	180.6
Effect of minimum tax in foreign jurisdictions	-0.3%	7.8	0.0%	0.0
	----------	----------	----------	----------
Total	-0.3%	7.8	0.0%	0.0
	========	========	========	========

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	2013 CHF '000	2012 CHF '000
Deductible temporary differences (will never expire)	219.9	61.4
tax losses (unlimited)	442.8	102.9

There were no unrecognised deferred tax liabilities during any of the periods presented.

The aggregate amount of unused tax losses as of 31 December 2013 is CHF 2,125k (31 December 2012: CHF 497k).

15. Earnings per share

The calculation of basic earnings per share (EPS) has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	Total	Total
	2013	2012
Numerator	CHF '000	CHF '000
Profit or loss for the year	-2,363.6	-873.0
	----------	----------
Earings used in basic and diluted EPS	-2,363.6	-873.0
	========	========
Denominator	'000	'000
Weighted average number of ordinary shares issued at 1 January	7,500,000	7,500,000
Effect of shares issued		
in February 2013	437,500	-
in July 2013	366,667	-
	----------	----------
Weighted average number of shares used in basic EPS	8,304,167	7,500,000
Effects of:		
Employment share options	110,217	0
	----------	----------
Weighted average number of shares used in diluted EPS	8,414,383	7,500,000
	========	========
Basic earnings per share	**-0.28**	**-0.12**
Diluted earnings per share	**-0.28**	**-0.12**

16. Intangible assets

	CHF '000	CHF '000
(i) costs		
at 1.1.2012	0.0	0.0
Additions	0.0	0.0
	----------	----------
at 31.12.2012	0.0	0.0
	========	========
at 1.1.2013	0.0	0.0
Additions	0.7	0.7
	----------	----------
at 31.12.2013	0.7	0.7
	========	========
(ii) accumulated depreciation and impairment costs		
at 1.1.2012	0.0	0.0
Depreciation	0.0	0.0
	----------	----------
at 31.12.2012	0.0	0.0
	========	========
at 1.1.2013	0.0	0.0
Depreciation	0.3	0.3
	----------	----------
at 31.12.2013	0.3	0.3
	========	========
(iii) net book value		
at 1.1.2012	0.0	0.0
at 31.12.2012	0.0	0.0
at 31.12.2013	0.4	0.4
	========	========

17. Property, plant and equipment

	Plant machinery and motor vehicles	Fixtures and fittings	Computer equipment	Low-value assets	Total
	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000
(i) costs					
at 1.1.2012	0.0	0.0	0.0	0.0	0.0
Additions	0.0	0.0	17.0	0.0	17.0
	----------	----------	----------	----------	----------
at 31.12.2012	0.0	0.0	17.0	0.0	17.0
	========	========	========	========	========
at 1.1.2013	0.0	0.0	17.0	0.0	17.0
Additions	0.7	5.1	4.9	1.8	12.5
Disposals	0.0	0.0	0.0	-1.8	-1.8
Foreign exchange movements	0.0	0.0	0.3	0.0	0.3
	----------	----------	----------	----------	----------
at 31.12.2013	0.7	5.1	22.1	0.0	28.0
	========	========	========	========	========
(ii) accumulated depreciation and impairment costs					
at 1.1.2012	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	0.0	0.9	0.0	0.9
	----------	----------	----------	----------	----------
at 31.12.2012	0.0	0.0	0.9	0.0	0.9
	========	========	========	========	========
at 1.1.2013	0.0	0.0	0.9	0.0	0.9
Depreciation	0.1	0.2	4.7	1.8	6.8
Disposals	0.0	0.0	0.0	-1.8	-1.8
	----------	----------	----------	----------	----------
at 31.12.2013	0.1	0.2	5.6	0.0	5.9
	========	========	========	========	========
(iii) net book value					
at 1.1.2012	0.0	0.0	0.0	0.0	0.0
at 31.12.2012	0.0	0.0	16.1	0.0	16.1
at 31.12.2013	0.6	4.9	16.6	0.0	22.1
	========	========	========	========	========

18. Deposits

	Garantee deposits CHF '000	Total CHF '000
(i) costs		
at 1.1.2012	0.0	0.0
Additions	8.6	8.6
	----------	----------
at 31.12.2012	8.6	8.6
	========	========
at 1.1.2013	8.6	8.6
Additions	5.7	5.7
Foreign exchange movements	0.1	0.1
	----------	----------
at 31.12.2013	14.4	14.4
	========	========
(ii) accumulated depreciation and impairment costs		
at 1.1.2012	0.0	0.0
Depreciation	0.0	0.0
	----------	----------
at 31.12.2012	0.0	0.0
	========	========
at 1.1.2013	0.0	0.0
Depreciation	0.0	0.0
	----------	----------
at 31.12.2013	0.0	0.0
	========	========
(iii) net book value		
at 1.1.2012	0.0	0.0
at 31.12.2012	8.6	8.6
at 31.12.2013	14.4	14.4
	========	========

Deposits consist of security deposit accounts for office rentals and e-money transactions. The security deposits are held by Group companies but are not currently available for use by group.

19. Inventories

	2013 CHF '000	2012 CHF '000
Raw materials and consumables	21.8	0.0
	----------	----------
Total	21.8	0.0
	========	========

Inventories consist entirely of blank (not personalized to users) cards for MasterCard stickers.

20. Trade and other receivables

	2013 CHF '000	2012 CHF '000
Loans to related parties	0.6	732.6
	----------	----------
Total financial assets other than cash and cash equivalents classified as loans and receivables	0.6	732.6
Other receivables	42.2	31.3
	----------	----------
Total trade and other receivables	42.8	763.9
	========	========

Loans to related parties as of December 31, 2012 consist of a loan to Forseight Foundation amounting to CHF 565,7k and a receivable from Megadon AG amounting to CHF 166,8k.

Other receivables mainly include VAT claims.

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, excluding construction contracts in progress, is included Note 29 *Financial instruments - Risk Management*.

21. Cash and cash equivalents

	2013 CHF '000	2012 CHF '000
Bank balances	433.4	13.0
e-money institute balances	21.7	0.0
	----------	----------
Cash and cash equivalents	455.1	13.0
	========	========

22. Share capital

	Orinary shares of 0,2 CHF each	
	2013 shares	2012 shares
in issue at 1. January	7,500,000	7,500,000
Issued for cash	1,300,000	-
Exercise of share options	-	-
	--------------	--------------
In issue at 31 December – fully paid	8,800,000	7,500,000
	=========	=========
Authorised – par value CHF 0.20	*3,200,000*	*3,750,000*
Conditional capital – par value CHF 0.20	*3,475,000*	*3,750,000*
	=========	=========

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Issue of ordinary shares

The Company was founded in 2011 with an initial share capital of CHF 1.5 million, divided in 7,500,000 ordinary shares of CHF 0.2 each.

On 15 February 2013 the Company's share capital was increased by 500,000 ordinary shares at an issue value of total CHF 0.6 million (CHF 1.20 each) to 8,000,000 ordinary shares at CHF 0.2 CHF nominal value.

On 16 July 2013 the Company's share capital was increased by 800.000 ordinary shares at an issue value of total CHF 1.5 million (CHF 1.875 each) to 8,800,000 ordinary shares at CHF 0.2 CHF nominal value.

Capital management

The Group's policy is to raise all funding as equity. Investors in the past have usually increased equity in an amount that the projected cash requirements are covered for approximately the next 6 months. For interim periods, the investors have granted loans which were intended to be paid back after next capital increase.

In the future, the range of participating investors base shall be expanded by listing the Company's shares at a stock exchange or an open market. The Group's medium term policy will also remain similar as funding shall also be raised by equity or at least equity-linked instruments for a similar period to be covered.

23. Share premium and reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Additional paid-in capital; amount subscribed for share capital in excess of nominal value.
Reserves	The reserves include translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations

24. Loans and borrowings

	Book value 2013 CHF '000	Fair value 2013 CHF '000	Book value 2012 CHF '000	Fair value 2012 CHF '000
Current				
Loans from related parties	24.9	24.9	0.0	0.0
	----------	----------	----------	----------
	24.9	24.9	0.0	0.0
	========	========	========	========

The currency profile of the Group's loans and borrowings is as follows:

	2013 CHF '000	2012 CHF '000
CHF	24.9	0.0
	----------	----------
Total	24.9	0.0
	========	========

The term profile of the Group's loans and borrowings is as follows:

2013	Floating rate CHF '000	fixed rate CHF '000	Total CHF '000
Expiry within 1 year	0.0	24.9	24.9
	----------	----------	----------
Total	0.0	24.9	24.9
	========	========	========

25. Current liabilities

	2013 CHF '000	2012 CHF '000
Loans and Borrowings (current)	24.9	0.0
Trade accounts payable	93.5	17.2
Other current liabilities	22.0	0.0
Provisions	88.0	212.8
thereof: provision for annual leave	*8.7*	*1.9*
	----------	----------
Total Current liabilities	228.4	229.9
	========	========

Other current liabilities include social security liabilities or tax on wages payable.

The roll forward of provisions is as follows:

	Accounting and audit	Invoices outstanding	short term employee benefits	Total
at 1.1.2013	5.3	205.6	1.9	212.8
additions	11.0	218.3	8.7	238.1
utilized in year	-5.4	-355.8	-1.9	-363.1
released in year	0.0	-0.2	0.0	-0.2
Foreign exchange movements	0.1	0.4	0.0	0.5
	----------	----------	----------	----------
at 31.12.2013	11.0	68.2	8.7	88.0
	========	========	========	========

Provisions mainly include obligations related to the preparation of financial statements as well as obligations for employees' annual leave and for outstanding suppliers' invoices. The Company expects to settle the majority of the provisions within one year from the balance sheet date.

26. Share-based payment arrangements

26.1. Description of equity-settled share-based payment arrangements

During 2013, the Company introduced an equity-settled share option program that entitles certain employees to purchase shares in the Company. In accordance with this program, holders of vested options are entitled to purchase shares at an exercise price of CHF 0.20.

Under the program, beneficiaries receive the right to have a total maximum of share options issued in three Tranches on each of the Issue Dates 15 February 2014, 15 February 2015, and 15 February 2016, whereby the actual number of share options that will be granted on each of those dates depends on the achievement of certain non-market performance criteria ("Targets") during each of the one-year Performance Periods ending on 31 December 2013, 31 December 2014, and 31 December 2015. The maximum number of share options to be granted for each Tranche as well as the relevant Targets for each of the Performance Periods 2013, 2014 and 2015 are agreed between the Company and the beneficiaries during the course of each of the Performance Periods. Assuming a 100% Target achievement, the following table shows the maximum number of share options to be issued and the vesting conditions for each of the three Tranches:

Tranche	Performance Period	Issue Date	Maximum number of share options to be issued on Issue Date	Vesting conditions	Contractual life of options
1	1 January – 31 December 2013	15 Feb 2014	300,000*	Achievement of certain non-market performance criteria and 1 year service from Issue Date.	2 years from Issue Date (15 Feb 2016)
2	1 January – 31 December 2014	15 Feb 2015	90,000**	Achievement of certain non-market performance criteria and 1 year service from Issue Date.	2 years from issue date (15 Feb 2017)
3	1 January – 31 December 2015	15 Feb 2016	To be determined***	Achievement of certain non-market performance criteria. Options vest on Issue Date.	1 year from issue date (15 Feb 2017)

* As determined in April 2013 as part of Target setting for the Performance Period 2013
** As determined in August 2014 as part of Target setting for the Performance Period 2014
*** To be determined as part of Target setting for the Performance Period 2015

Generally, all options are to be settled by physical delivery of shares, except in the following circumstances: (i) If the beneficiary voluntarily terminates employment prior to vesting, the beneficiary receives a cash settlement amounting to the intrinsic value of the outstanding options determined at beginning of the relevant Performance Period; (ii) if the Company terminates a beneficiary's employment prior to vesting, the beneficiary receives a cash settlement amounting to the intrinsic value of the outstanding options determined as of the termination date.

26.2. Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option program were as follows:

in thousands of options	Number of options 2013	Weighted-average exercise price 2013	Number of options 2012	Weighted-average exercise price 2012
Outstanding at 1 January	0	--	0	--
Granted during the year	300	CHF 0.20	0	--
Effect on achievement of non-market performance criteria	(172)	CHF 0.20	0	--
Forfeited during the year	0	--	0	--
Exercised during the year	0	--	0	--
Outstanding at 31 December	**128**	**CHF 0.20**	**0**	**--**
Exercisable at 31 December	0	--	0	--

All options outstanding at 31 December 2013 had an exercise price of CHF 0.20 and a contractual life of 2.1 years.

Based on the actual Target achievement determined for the first Tranche of this program (relating to the 2013 Performance Period), 106,500 share options were issued in February 2014. In addition, one beneficiary received a cash settlement of CHF 4.2k due to the termination of employment in 2014 prior to the vesting date.

26.3. Measurement of fair values

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date of equity-settled share-based payment plans were as follows:

	2013	2012
Fair Value at grant date	CHF 1.05	--
Share price at grant date	CHF 1.20	--
Exercise price	CHF 0.20	--
Expected volatility	100%	--
Expected life	2.6 years	--
Expected dividends	0%	--
Risk-free interest rate (based on government bonds)	1%	--

The computation of expected volatility for the year ended 31 December 2013 is based on the historical volatility of comparable public companies. The computation of expected life for the year ended 31 December 2013 was determined based on the average of the vesting period and the contractual life of the option.

26.4. Expense recognized in profit or loss

The Company recognizes the fair value of equity-settled over the vesting period, which is the period during which all of the specified vesting conditions are to be satisfied in order for the beneficiaries to be entitled unconditionally to the equity instrument. As the grant date for the first Tranche occurred after the employees have begun rendering services under the program, the Company estimates the grant-date fair value of the equity instruments for the purpose of recognising the services from the service commencement date of each Tranche (1 January 2013, 1 January 2014, and 1 January 2015, respectively) until grant date of each of the three Tranches. Until the grant date has been established, the Company revises the earlier estimates so that the amounts recognised for services received are based on the grant-date fair value of the equity instruments. This revision is treated as a change in estimate.

The grant date for the first Tranche was April 11, 2013. In accordance with the above, for the first Tranche, the amounts for services rendered are recognised on a straight-line basis from 1 January 2013 through February 15, 2015.

For details on the related employee benefit expense recognized in each of the periods presented, see Note 11 *Employee benefit expenses*.

27. Group entities

The group entities of Cashcloud AG, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December		Non-controlling ownership interests /voting rights at 31 December	
		2013	2012	2013	2012
Cashcloud AG	Luxembourg	100%	0%	0%	100%
Cashcloud Technology Services S.R.L.	Romania	100%	N/A	0%	N/A
Cashcloud Deutschland GmbH	Germany	100%	N/A	0%	N/A

As described in Note 2.6 *Basis of consolidation*, for all periods presented, the Group also comprises the operations of Cashcloud AG, Luxemburg (CCLUX). The Company acquired 100% of the voting rights in CCLUX as of April 9, 2013 via a contribution in kind by the Company's parent. The Company concluded that it had control over CCLUX as of the date of its opening statement of financial position and throughout all periods presented – although the Company owned no voting rights in CCLUX prior to 9 April 2013 – because the Company directed the relevant activities of CCLUX through means other than voting rights.

CCLUX was formed with only nominal share capital and is funded through loans from the Company that are repayable only once CCLUX achieves postitive cash flows. CCLUX performs research and development acitivities exclusively for the Group and under the Group's direction. As a result, the Group has concluded that CCLUX is a subsidiary and it has been consolidated. As of 31 December 2013, the Group has provided funding to CCLUX in the cumulative amount of CHF 3,028.6k. Although the Group does not have any contractual obligation to provide financial support to CCLUX, the Group would consider providing any support required by CCLUX in the future, if such support were necessary to maintain and/or further its operations, including research and development activities performed by CCLUX for the Group under the Group's direction.

28. Related Parties

28.1. Parent and ultimate controlling party

The Group's parent entity is SPP Capital AG, Balzers, Liechtenstein. The Group's ultimate parent and ultimate controlling party is Bluestar Capital Trust, Balzers, Liechtenstein.

28.2. Transactions with key management personnel and other related parties

Key management personnel have not received any compensation from the Company during any of the periods presented.

The directors of the Company control the voting shares of the Company as follows:

at 31. December	2013	2012
	%	%
control the voting shares by the directors	26.3	0.0

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these companies transacted with the Group during the year. The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

	Loans and borrowings from related parties December 31, 2013	2012
	CHF '000	CHF '000
a) The parent	0.0	0.0
b) Entities with joint control, or significant influence over the entity	0.0	0.0
c) Key management personnel of the entity or its parent	0.0	0.0
d) Other related parties	24.9	0.0
	----------	----------
Total	24.9	0.0
	========	========

In addition, provisions as of 31 December 2012 include CHF 160.0k for outstanding invoices from other related parties.

	receivables from related parties December 31, 2013	2012
	CHF '000	CHF '000
a) The parent	0.0	0.0
b) Entities with joint control, or significant influence over the entity	0.0	0.0
c) Key management personnel of the entity or its parent	0.0	0.0
d) Other related parties	0.6	732.6
	----------	----------
Total	0.6	732.6
	========	========

All outstanding balances with these related parties are to be settled in cash within one year of the end of the reporting period. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

Charges to the Group or income from Related Parties:

	Charges for Management Services	
	2013	2012
	CHF '000	CHF '000
a) The parent	0.0	0.0
b) Entities with joint control or significant influence over the entity	0.0	0.0
c) Key management personnel of the entity or its parent	0.0	0.0
d) Other related parties	163.9	120.0
	----------	----------
Total	163.9	120.0
	========	========

	Interest Expenses	
	2013	2012
	CHF '000	CHF '000
a) The parent	0.0	0.0
b) Entities with joint control, or significant influence over the entity	0.0	0.0
c) Key management personnel of the entity or its parent	0.0	0.0
d) Other related parties	1.6	0.2
	----------	----------
Total	1.6	0.2
	========	========

	Interest income	
	2013	2012
	CHF '000	CHF '000
a) The parent	0.0	0.0
b) Entities with joint control, or significant influence over the entity	0.0	0.0
c) Key management personnel of the entity or its parent	0.0	0.0
d) Other related parties	2.0	28.0
	----------	----------
Total	2.0	28.0
	========	========

29. Financial instruments - Risk Management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Deposits
- Trade and other receivables
- Cash and cash equivalents
- Trade accounts payable and other current liabilities
- Loans and borrowings

(ii) Financial instruments by category

Loans and receivables measured at amortised cost

	Loans and receivables	
	2013	2012
	CHF '000	CHF '000
Cash and cash equivalents	455.1	13.0
Trade and other receivables	42.8	763.9
Deposits	14.4	8.6
	----------	----------
Total financial assets	512.4	785.4
	========	========

Non-derivative financial liabilities

	Financial liabilities at amortized cost	
	2013	2012
	CHF '000	CHF '000
Trade accounts payable	93.5	17.2
Loans and borrowings	24.9	0.0
Other current liabilities	22.0	0.0
	----------	----------
Total financial liabilities	140.4	17.2
	========	========

Trade accounts payable do not include any payables related to operating leases.

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include deposits, cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value. Also, the carrying value of deposits approximates fair value.

(iv) Financial instruments measured at fair value

The Group does not hold any financial instruments that are measured at fair value in the respective periods presented.

29.1. General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies.

The overall objective of the Board is to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

29.1.1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

As the company's user and customer relations are based on prepaid principle, in regard of trade receivables credit risk should not apply in material volume throughout the regular process. This risk category therefore is seen as negligible.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions.

Cash in bank and short-term deposits are held with the following institutions:

	Cash in bank and short-term deposits	
	2013	2012
	CHF '000	CHF '000
Ingenico Payment Services NV/SA, Begium (formerly Tunz)	4.4	0.0
ING Luxembourg S.A., Lux.	375.5	11.0
Commerzbank AG, Germany	2.1	0.0
PPRO Financial Serives Ltd., UK	22.3	0.0
ING Sibiu Semaforului, Romania	14.6	0.0
Julius Bär, Switzerland	36.3	1.9
	----------	----------
Total	455.1	13.0
	========	========

Long term loans are not held in any of the periods presented.

29.1.2. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Fair value and cash flow interest rate risk

In principle, the Group is exposed to cash flow interest rate risk from long-term borrowings at limited period of fixed interest rates and could be relevant in regard to potential prolongation of loans for funding.

At the relevant periods no loan funding was applicable.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency) with the cash generated from their own operations in that currency. Funds are allocated to the group entity in the respective currency which will be needed in near future. For this, the board receives a monthly liquidity report in order to decide about and relocate the needed funds to the respective entity.

Foreign exchange risk regarding revenues is negligible.

As of 31 December the Group's net exposure to foreign exchange risk was as follows:

net foreign currency financial assets/liablities	2013 CHF '000	2012 CHF '000
EUR	21.2	0.0
	----------	----------
Total	21.2	0.0
	========	========

29.1.3. Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 30 days. The Board receives rolling 12-month cash flow projections (through rolling business plan and current year’s budget) on a yearly basis and rolling 6-week detailed cash flow projections (operative liquidity forecast) on a monthly basis.

Based on current year’s budget the boards organizes funding rounds though external investors. Based on the monthly detailed cash flow projections, operational Group entities are supplied with required funds by the parent Company.

The remaining contractual maturities of financial liabilities are less than one year at each of the reporting dates presented.

30. Events after the reporting date

Significant events to report after the balance sheet date of the respective period are:

- Dr. Carsten Henkel has resigned from the board (Verwaltungsrat) of Cashcloud AG in November 2014.
- The capital of the Company has been increased in November 2014 by 3.200.000 new ordinary shares, issued at 1.00 CHF per share in cash. Share capital has increased to a total volume of CHF 2.400.000 split-up by 12.000.000 shares.
- On 13 February 2015, the name of the Company was changed from “Cashcloud Holding AG” to “Cashcloud AG”.

Cashcloud AG, Basel

27 February 2015

Appendix

General Engagement Terms

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – expecially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2)["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

All rights reserved. This form may not be reprinted, either in whole or in part, or copied in any manner, without the express written consent of the publisher.
© IDW Verlag GmbH · Tersteegenstraße 14 · D-40474 Düsseldorf

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgernent of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client
b) examination of tax assessments in relation to the taxes mentioned in (a)
c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax
b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisities nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.