

Company Registration No:004194V

GOLDMONEY NETWORK LIMITED

Annual report and consolidated financial statements

31 March 2014

GOLDMONEY NETWORK LIMITED

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GOLDMONEY NETWORK LIMITED

OFFICERS AND PROFESSIONAL ADVISER

DIRECTORS

J Turk
G P Turk
C Bird
M Naik
W McCain
P Delafield
J Embry (resigned 30 April 2014)
H Fleming
J Smith

REGISTERED OFFICE

Maitland Services Limited
Falcon Cliff
Palace Road
Douglas
Isle of Man
IM2 4LB

COMPANY REGISTRATION NUMBER

004194V

ADMINISTRATIVE OFFICE

32 Commercial Street
St Helier
Jersey
JE2 3RU
Channel Islands

AUDITOR

Deloitte LLP
Chartered Accountants
66-68 Esplanade
Jersey
JE4 8WA
Channel Islands

DIRECTORS' REPORT

The directors present their report and audited financial statements for the Group for the year ended 31 March 2014.

1. INCORPORATION

GoldMoney Network Limited (The "Company") was incorporated on 13 August 1998 in the Isle of Man.

2. ACTIVITIES

The principal activity of the Company and its subsidiaries (together the "Group") is to provide a convenient and safe way for customers to buy and sell gold, silver, platinum and palladium online, which is then stored for customers. The Group also operates the GoldMoney payment system, which enables goldgrams, silver ounces and platinum grams to be used as a means for payment between those customers who meet certain criteria. The Company intends to continue the development of its patents and other intellectual property specifically in connection with electronic trading on the Internet.

3. REVIEW OF BUSINESS AND FUTURE PROSPECTS

This financial year saw a decrease in the Group's financial performance and financial position with a decrease in turnover from £412m to £324m. The Group's loss from operations for the year was £10.69m (2013: profit of £0.33m).

The digital gold currency system developed by the Group provides the means for individuals and companies to use gold as currency through the Internet. The original concepts were awarded United States Patents, including U.S. Patent No 5671364 issued 23 September 1997 and others. The Patents are now expired.

The Group originally launched the first version of the GoldMoney System (GS) in February 2001, which was a viable online payment system that provided the means for individuals and companies - currently restricted to residents in Jersey only - to use gold and silver as currency ('means of payment'). A later release of GS enabled customers to use gold and silver as a 'store of value' (money) by facilitating the purchase and sale of precious metals. In April 2006, the Group completed its migration to a new and more robust platform to ensure capacity to handle future growth. In February 2012, the Group had taken on additional IT resources to enhance the development process, thus improving the speed and efficiency with which new products are launched. Initial planning work for a new GoldMoney System version 2 (GS2) was completed however the directors took the decision to hold further development and the implementation until a future date. As at 31 March 2014, the directors took the decision that the implementation of GS2 would not be viable and therefore fully amortise the intangible asset of £982,534 to the consolidated statement of comprehensive income.

In 2002, the Group implemented a 'Customer Acceptance Policy' (CAP) to meet international best practice standards for 'Know Your Customer' rules imposed on banks and financial services businesses, to help ensure that GoldMoney is only used by verified customers for legitimate purposes. The application of these rules involves the careful review of applications from new customers and the supervision of transactions between customer holdings.

The state of affairs, which is set out in the consolidated statement of financial position on page 7, have been reviewed by the directors. The quantity of gold in the vault decreased to 1,562 from 1,626 "400-ounce" gold bars during the year to a value of £513 million (2013: £711 million) with a year end market price of £24.963 per goldgram (2013: £33.873 per goldgram). The quantity of silver in the vault decreased from 28,628 to 27,871 "1000-ounce" silver bars during the year to a value of £334 million (2013: £534 million) with a year end market price of £11.994 per ounce (2013: £18.933 per silver ounce). Sales of goldgrams to customers decreased to £193,991,824 (2013: £224,740,275), sale of silver ounces decreased to £122,438,226 (2013: £174,879,728), sale of platinum grams decreased to £4,304,178 (2013: £6,636,868) and sales of palladium grams were £1,993,089 (2013: £1,928,321) with a total of 22,725 funded holdings at year end.

4. RESULTS AND DIVIDENDS

The Group's loss for the year amounted to £10,696,400 (2013: profit of £325,811). The loss for the Group for the year has been transferred to reserves.

The Group's net cash flow from operating activities, after movement in working capital, amounted to £1,296,572 (31 March 2013: £2,176,154). This includes cash spent on legal fees and development of new products. The directors are aware that cash is important for the development of the Group.

From a Treasury management point of view, the directors use goldgrams, silver ounces, platinum grams and palladium grams as a currency, and it forms an important part of the Group's liquid resources. Goldgrams, silver ounces, platinum grams and palladium grams are highly liquid, and the goldgrams are used as a means of payment by the Group and many of its customers. As at 31 March 2014, the Group held goldgrams to the value of £6,110,482 (2013: £9,931,148), silver ounces to the value of £4,150,493 (2013: £7,521,449), platinum grams to the value of £291,198 (2013: £401,694) and palladium grams to the value of £156,839 (2013: £365,039) as monetary assets and for resale. To comply with accounting practices, the goldgrams, silver ounces, platinum grams and palladium grams are not considered to be cash in determining operating cash flow (Note 13). Consequently, the change in goldgrams, silver ounces, platinum grams and palladium grams during the year is shown in Note 13 as part of Net cash used in operating activities. If goldgrams, silver ounces, platinum grams and palladium grams were considered to be cash, the net cash outflow from operating activities of £1,296,572 would increase by £7,510,318 so net cash out from operating activities would be £8,806,890. (2013: net in flow of £889,817 lower by £9,696,707).

A dividend of £1,236,477 was paid to shareholders during the year. (2013: £1,612,420)

DIRECTORS' REPORT (continued)

5. DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served throughout the year.

At 31 March 2014 the beneficial interest of the directors in the shares in the Group can be summarised as follows:

- J Turk is the representative of Metalion Investments Limited, that owns 15.296 million shares (17.29%).
- G Turk is the representative of Triama Holdings Limited, that owns 17.365 million shares (19.63%).
- M Naik is the representative of IAMGOLD Corporation, a company listed on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE), that owns 5.6 million shares (6.33%). M Naik is also a Director of Caribbean Investment Bank, that owns 2.263 million shares (2.56%) and FinSec Services Inc, that owns 0.165 million shares (0.19%).
- W McCain is the representative of Towneley Capital International (Cayman), that owns 6.338 million shares (7.17%).
- H Fleming is the representative of Quathlamba Limited, that owns 8.634 million shares (9.76%).
- J Smith is a Director of T2 Limited, that owns 0.331 million shares (0.37%).

6. EMPLOYEES

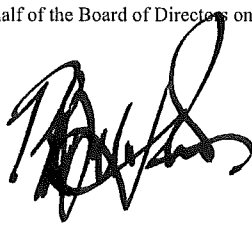
The Group had 34 employees at 31 March 2014 (2013: 39). During the year the Group's policy to use the services of specialist subcontractors changed to employing full time employees as far as possible. The Group had 3 subcontractors at 31 March 2014 (2013: 10). One of the directors is engaged by these subcontractors and their remuneration is set out in Note 15.

7. AUDITOR

A resolution to reappoint Deloitte LLP as auditor will be proposed at the next annual general meeting.

Signed on behalf of the Board of Directors on 16th July 2014

P. Delafield



C. Bird



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Isle of Man company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLDMONEY NETWORK LIMITED

GOLDMONEY NETWORK LIMITED

We have audited the consolidated financial statements of GoldMoney Network Limited for the year ended 31 March 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

This report is made solely to the company's members, as a body, in accordance with Section 80C. (1) of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS's as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with the Companies Act 2006.



Deloitte LLP
Chartered Accountants
St Helier, Jersey

5 August 2014

GOLDMONEY NETWORK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 March 2014

		2014	2013
	Note	£	£
Revenue		323,761,137	411,669,393
Less: Cost of Metals sold		<u>(319,587,862)</u>	<u>(402,927,602)</u>
Net Income	3	4,173,275	8,741,791
Depreciation	8	(141,000)	(127,800)
Operating expenses	4	(7,657,728)	(7,886,108)
Fair value movement on precious metals		(5,659,796)	(726,239)
Net foreign exchange profit/(loss)		<u>(236,524)</u>	<u>278,141</u>
(Loss)/Profit from operations		(9,521,773)	279,785
Interest income		80,461	52,731
(Loss)/Profit before tax		<u>(9,441,312)</u>	<u>332,516</u>
GS2 Intangible asset write-off	9	(982,534)	-
(Loss)/Profit before tax for the financial year		(10,423,846)	332,516
Taxation		(9,031)	(6,705)
(Loss)/Profit for the financial year from continuing operations		<u>(10,432,877)</u>	<u>325,811</u>
Loss for the year from discontinued operations	14	(263,523)	-
(Loss)/Profit for the financial year and total comprehensive income		<u><u>(10,696,400)</u></u>	<u><u>325,811</u></u>

The directors consider that the Group's activities are continuing.

The notes on pages 10 to 20 form an integral part of these financial statements.

GOLDMONEY NETWORK LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 March 2014

ASSETS	Note	2014 £	2013 £
Non-current assets			
Computer equipment	8	291,894	176,642
Intangible assets	9	<u>1</u>	<u>528,287</u>
		<u>291,895</u>	<u>704,929</u>
Current assets			
Other debtors		421,144	739,404
Precious metals held for resale	10	10,709,012	18,219,330
Cash at bank and in hand		<u>3,265,528</u>	<u>6,606,362</u>
		<u>14,395,684</u>	<u>25,565,096</u>
TOTAL ASSETS		<u><u>14,687,579</u></u>	<u><u>26,270,025</u></u>
EQUITY AND LIABILITIES			
Equity			
Called up Share capital	11	2,248	2,246
Share premium account	12	6,732,155	6,640,323
Share options	27	819,757	518,871
Retained earnings	14	<u>6,336,100</u>	<u>18,268,977</u>
Total Equity		<u>13,890,260</u>	<u>25,430,417</u>
Current liabilities			
Trade and other payables		<u>797,319</u>	<u>839,608</u>
		<u>797,319</u>	<u>839,608</u>
TOTAL EQUITY AND LIABILITIES		<u><u>14,687,579</u></u>	<u><u>26,270,025</u></u>

The financial statements on pages 6 to 20 were approved by the board of directors and signed on its behalf on 16th July 2014

P. Delafield

C. Bird

The notes on pages 10 to 20 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 March 2014

	Note	2014 £	2013 £
OPERATING ACTIVITIES			
Net cash (used in) or generated from operating activities	13	(1,560,095)	2,176,154
INVESTING ACTIVITIES			
Payments incurred in acquiring computer equipment	8	(262,308)	(92,440)
Payments incurred in developing intangible assets	9	(454,248)	(528,286)
Payments incurred in acquiring assets and developing intangible assets for discontinued operation	14	(611,251)	-
Net cash used in investing activities		<u>(1,327,808)</u>	<u>(620,726)</u>
FINANCING ACTIVITIES			
Interest income		80,461	52,731
Proceeds from issue of shares		91,832	191,580
Cash transferred on distribution in respect of discontinued operation	14	(625,226)	(1,612,420)
Net cash used in financing activities		<u>(452,933)</u>	<u>(1,368,108)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(3,340,835)</u>	<u>187,318</u>
Cash and cash equivalents at the beginning of the year		6,606,362	6,419,044
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>3,265,528</u>	<u>6,606,362</u>

The notes on pages 10 to 20 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 March 2014

	Share capital	Share premium	Retained earnings	Share Options	Total Shareholders' equity
	£	£	£	£	£
Balance at 1 April 2012	2,244	6,448,745	19,555,586	237,911	26,244,486
Profit for the financial year and total comprehensive income	-	-	325,811	-	325,811
Share capital and premium issued	2	191,578	-	-	191,580
Share options	-	-	-	280,960	280,960
Dividends paid	-	-	(1,612,420)	-	(1,612,420)
Balance at 31 March 2013	2,246	6,640,323	18,268,977	518,871	25,430,417
Loss for the financial year and total comprehensive income	-	-	(10,696,400)	-	(10,696,400)
Share capital and premium issued	2	91,832	-	-	91,835
Share options	-	-	-	300,886	300,886
Distribution in-specie of shares in subsidiary (note 14)	-	-	(1,236,477)	-	(1,236,477)
Balance at 31 March 2014	2,248	6,732,155	6,336,100	819,757	13,890,260

The notes on pages 10 to 20 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 March 2014

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with applicable Isle of Man law and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The particular accounting policies adopted are described below.

(a) Application of new and revised accounting standards and interpretations

The directors reviewed the new and revised standards and interpretations that became effective during the year and they believe that their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements. The adoption of IFRS 13 "Fair value measurement" which became effective on 1 January 2013 required additional disclosures to be made in the financial statements.

(b) Standards and Interpretations in issue not yet effective

At the date of authorisation of these consolidated financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective.

Amendments to IAS 1 Presentation of Financial Statements - The amendments reaffirm the existing requirements that items in other comprehensive income and profit and loss should be presented as either a single statement or two consecutive statements. An entity may present items of other comprehensive income either net of related tax effects, or before related tax effects with one amount shown for the aggregate amount of income tax relating to those items allocated between items that may be subsequently reclassified to profit and loss and those which will not. The amendment is effective for annual periods beginning on or after 1 July 2012 with retrospective application.

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments). Effective for periods commencing 1 January 2014.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendments). Effective for periods commencing 1 January 2014.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments). Effective for periods commencing 1 January 2014.

IFRS 9 Financial Instruments - classification and measurement. Effective for periods commencing 1 January 2017.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). Effective for periods commencing 1 January 2014.

IFRIC 21 Levies. Effective for periods commencing 1 January 2014.

The directors anticipate that all of the above standards and interpretations will be adopted in the Group consolidated financial statements in the appropriate and applicable period and that the adoption of these standards and interpretations will have no material financial impact on the consolidated financial statements of the Group in the period of initial application.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Control is achieved when the company :-

- > has power over investee;
- > is exposed, or has rights, to variable returns from its involvement with the investee; and
- > has the ability to use its power to affect its returns.

(d) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, but modified by goldgrams, silver ounces, platinum grams and palladium grams held at fair value, less cost to sell.

(e) Inventory

The goldgram, silver ounce, platinum gram and palladium gram balances held by the subsidiary, Net-Gold Services Limited are classified as goldgrams, silver ounces, platinum grams or palladium grams held for resale and are stated at fair value less costs to sell.

(f) Foreign currency translation

The Group follows International Accounting Standard (IAS) 21, Effects of Changes in Foreign Exchange Rates, to record and to account for the effects of changes in foreign exchange rates. The functional currency of the Group is British pound as it is the currency of the primary economic environment in which the Group operates. Transactions of the Group that are denominated in foreign currencies are translated into British pounds at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated at rates ruling at that date. The resulting differences are accounted for in the Statement of Comprehensive Income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Groups' foreign operations are translated at exchange rates prevailing on the Balance Sheet date. Income and expenses items are translated at average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

(g) Intangible assets

The establishment of costs in connection with the registration of the patents were capitalised to be written off in equal instalments over the duration of the original patent (i.e. 17 years) and then reviewed annually in accordance with IAS38, Intangible Assets, until 2003. In that year the carrying value of the patents was written-off (see note 9) and recorded in the Statement of Comprehensive Income under depreciation and amortisation expense.

Computer software on which development has been completed and the software is available for use is amortised over the estimated useful life of the software. Exceptional amortisation is charged where a decline in value other than temporary is anticipated. The rates of depreciation are as follows:

Software: 33% per annum

(h) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, and any recognised impairment loss.

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets.

The rate of depreciation for Computer equipment is 33% per annum.

(i) Share based payments

The Group has applied the requirements of IFRS 2 Share based payments. The Group issued equity share based payments to certain key suppliers and employees. These are measured at the fair value at the date of the grant.

The fair value determined at the grant date of the equity-settled share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(j) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade receivables and loans and other receivables that have fixed or determinable payments and are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(k) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

(l) Revenue

Revenue, is not subject to value added tax. Revenue represents sales and commissions relating to the exchange of currencies for goldgrams, silver ounces, platinum grams and palladium grams, fees generated on payments made using the GoldMoney payments system, storage fees and royalties and license fees earned from the use of the Group's patents and software. Intercompany sales and fees are eliminated on consolidation. Purchases relating to the above transactions are treated as cost of sales.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

(n) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS's requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated liabilities are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods. In the process of applying the Group's accounting policies the Directors have made the following judgements that have had the most significant effect on the financial statements.

Valuation of share options:

For the purpose of valuing share options the directors have used their best estimate of the share price and volatility of the shares.

Internally generated intangible assets:

The development of the GoldMoney System 2 project will not be completed. Management believes that the intangible asset will not be deployed at some future date. It was therefore decided to fully amortise the intangible asset cost of £982,534 to the consolidated statement of comprehensive income in the financial year.

(o) Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except when another more systematic basis is more representative of the time pattern in which economic benefits from the lease are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(p) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- > the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- > the intention to complete the intangible asset and use or sell it;
- > the ability to use or sell the intangible asset;
- > how the intangible asset will generate probable future economic benefits;
- > the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- > the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(q) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(r) Retirement benefit costs

Payment to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

GOLDMONEY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 March 2014

2. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method as recommended by IAS 7.

Cash and cash equivalents comprise bank balances.

3. NET INCOME (GROUP)

	2014 £	2013 £
Gross value of Sales of Gold Grams and currencies	193,991,824	224,740,275
Less : Cost of GoldGrams and currencies sold	(192,474,291)	(222,605,919)
	<u>1,517,533</u>	<u>2,134,356</u>
Gross value of Sales of Silver Ounces and currencies	122,438,226	174,879,728
Less : Cost of Silver ounces and currencies sold	(120,927,153)	(171,935,621)
	<u>1,511,074</u>	<u>2,944,107</u>
Gross value of Sales of Platinum Grams and currencies	4,304,178	6,636,868
Less : Cost of Platinum grams and currencies sold	(4,230,626)	(6,502,594)
	<u>73,552</u>	<u>134,274</u>
Gross value of Sales of Palladium Grams and currencies	1,993,089	1,928,321
Less : Cost of Palladium grams and currencies sold	(1,955,792)	(1,883,468)
	<u>37,297</u>	<u>44,853</u>
Storage fees	2,464,112	5,310,756
Less: Vault costs	(1,430,293)	(1,826,555)
	<u>1,033,820</u>	<u>3,484,201</u>
	<u>4,173,275</u>	<u>8,741,791</u>

4. OPERATING EXPENSES

	2014 £	2013 £
Marketing and Promotional	533,906	953,545
Employment and Contractor	4,442,696	4,334,340
Technology costs	1,294,791	647,825
Legal and Professional	247,092	933,111
Directors' Fees	226,998	260,708
Office premises and insurance	262,269	253,798
Administrative and Travel	382,849	173,960
Hong Kong office expenses	100,278	268,820
Audit Fees	48,000	60,000
Managed Service Implementation	118,849	-
	<u>7,657,728</u>	<u>7,886,108</u>

An amount of £100,891 (2013: £82,890) for employee retirement benefit was recorded as an expense within Employment and contractor.

5. INCOME TAX EXPENSE

GoldMoney Network Limited's profits are subject to Isle of Man corporate income tax at the general rate of 0% (2012: 0%). Accordingly, no provision or liability to Isle of Man tax has been included in these financial statements.

The Jersey subsidiaries in the group are subject to Jersey income tax at the rate of 0%.

The UK subsidiary of the group is subject to UK income tax at the rate of 23.75%.

The Hong Kong subsidiaries in the group are subject to Hong Kong income tax at the rate of 16.50%

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31 March 2014

6. OPERATING LEASE ARRANGEMENTS

	2014 £	2013 £
Minimum lease payments under operating leases recognised as an expense during the year	380,259	209,515

At 31 March 2014, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £	2013 £
Within one year	83,383	332,008
In the second to fifth years inclusive	-	30,000
After five years	-	-

Operating lease payments represents rentals payable by the group for two of its office properties.

7. INVESTMENTS IN SUBSIDIARY COMPANIES

Net-Systems Software Limited was incorporated in the Bahamas on 18 February 1999 in order to develop and own the proprietary software created to operate the GoldMoney system.

Net Transactions Limited was incorporated in the Bahamas on 20 October 2000 in order to operate the GoldMoney system. Net Transactions Limited was redomiciled in Jersey on 1 April 2008.

Net-Gold Services Limited was incorporated in the Bahamas on 21 September 1999 in order to create a market for customers who want to buy or sell goldgrams or silver ounces. Net-Gold Services Limited was redomiciled to Jersey on 1 April 2008.

Net-Gold Services (Hong Kong) Limited was incorporated in Hong Kong on 28 October 2010 in order to create a market for customers who want to buy or sell goldgrams, silver ounces, platinum grams or palladium grams.

Net Transactions (Jersey) Limited was incorporated in Hong Kong on 02 August 2011 in order to provide services to Net Transactions Limited in support of its Verification and Relationship Management teams in Jersey.

The GoldMoney Foundation was incorporated in Jersey on 24 June 2010 in order to provide education on the role of gold as money and currency and the importance of gold to society. The GoldMoney Foundation is currently funded wholly by GoldMoney Network Limited, but is independantly administered by a regulated Jersey Trust Company.

Although the GoldMoney Foundation is not owned by GoldMoney Network Limited, the nature of the relationship between these two entities indicates that the GoldMoney Foundation is financially supported by GoldMoney Network Limited and on this basis it has been consolidated.

GoldMoney Business Technology Limited was incorporated in England on 5 April 2012 in order to provide IT development and support solutions for the GoldMoney Group of companies.

COMPANY	2014 NUMBER OF SHARES	2014 COST £	2014 PERCENTAGE OF ISSUED SHARES HELD
Net-Systems Software Limited - ordinary shares of US \$1.00 each	1	1	100%
Net-Gold Services Limited - ordinary shares of US \$0.01 each	100	1	100%
Net Transactions Limited - ordinary shares of US \$1.00 each	1,019.46	144,101	100%
Net-Gold Services (Hong Kong) Limited - ordinary shares of HK\$ \$1.00 each	1	-	100%
Net Transactions (Jersey) Limited - ordinary shares of HK\$ \$1.00 each	1	-	100%
GoldMoney Business Technology Limited	100	100	100%
Provision for impairment in value		(144,201)	
		<u>2</u>	

COMPANY	2013 NUMBER OF SHARES	2013 COST £	2013 PERCENTAGE OF ISSUED SHARES HELD
Net-Systems Software Limited - ordinary shares of US \$1.00 each	1	1	100%
Net-Gold Services Limited - ordinary shares of US \$0.01 each	100	1	100%
Net Transactions Limited - ordinary shares of US \$1.00 each	1,019.46	144,101	100%
Net-Gold Services (Hong Kong) Limited - ordinary shares of HK\$ \$1.00 each	1	-	100%
Net Transactions (Jersey) Limited - ordinary shares of HK\$ \$1.00 each	1	-	100%
GoldMoney Business Technology Limited	100	100	100%
Provision for impairment in value		(144,201)	
		<u>2</u>	

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31 March 2014

8. COMPUTER EQUIPMENT

	2014	2013
	GROUP Computer Equipment £	GROUP Computer Equipment £
COST		
Balance at 1 April	565,780	473,340
Additions	262,308	92,440
Disposals	(13,857)	-
Balance at 31 March	814,231	565,780
DEPRECIATION		
Balance at 1 April	389,138	261,338
Charge for the year	141,000	127,800
Released on disposal	(7,801)	-
Balance at 31 March	522,337	389,138
NET BOOK VALUE at 31 March	291,894	176,642

9. INTANGIBLE ASSETS

	Software £	Patent £	Total £
COST			
Balance at 1 April 2013	824,745	81,413	906,158
Additions	454,248	-	454,248
Impairment	(982,534)	-	(982,534)
Balance at 31 March 2014	296,459	81,413	377,872
AMORTISATION			
Balance at 1 April 2013	296,459	81,412	377,871
Balance at 31 March 2014	296,459	81,412	377,871
NET BOOK VALUE at 31 March 2014	-	1	1
Net book value at 31 March 2013	528,286	1	528,287

The development of the GoldMoney System 2 project will not be completed, Management believes that the intangible asset will not be deployed at some future date. It was therefore decided to fully amortise the intangible asset cost of £982,534 to the consolidated statement of comprehensive income in the financial year.

GOLDMONEY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31 March 2014

10. PRECIOUS METALS HELD FOR RESALE

	2014 £	2013 £
GoldGrams on hand	6,110,482	9,931,148
Silver Ounces on hand	4,150,493	7,521,449
Platinum Grams on hand	291,198	401,694
Palladium Grams on hand	156,839	365,039
	<u>10,709,012</u>	<u>18,219,330</u>

On 31 March 2014, the Group had 244,782 goldgrams (2013: 293,188 goldgrams) which were valued at the market price of £24.963 per goldgram (2013: £33.873 per goldgram).

On 31 March 2014 the Group had 346,047 silver ounces (2013: 397,267 silver ounces) which were valued at the market price of £11.994 per silver ounce (2013: £18.933 per silver ounce).

On 31 March 2014 the Group had 10,629 platinum grams (2013: 12,018 platinum grams) which were valued at the market price of £27.397 per platinum gram (2013: £33.424 per platinum gram).

On 31 March 2014 the Group had 10,434 palladium grams (2013: 22,355 palladium grams) which were valued at the market price of £15.032 per palladium gram (2013: £16.329 per palladium gram).

11. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Authorised:		
200,000,000 Ordinary shares of US \$0.00005 each	<u>5,031</u>	<u>5,031</u>
Allotted and fully paid:		
	No. of shares	No. of shares
Balance at 1 April : A Shares	44,605,015	44,528,677
Balance at 1 April : B Shares	43,776,450	43,776,450
	<u>88,381,465</u>	<u>88,305,127</u>
Shares issued for services: A Shares	69,049	76,338
Shares issued for services: B Shares	-	-
Balance at 31 March: A Shares	44,674,064	44,605,015
Balance at 31 March: B Shares	43,776,450	43,776,450
Total balance at 31 March	<u>88,450,514</u>	<u>88,381,465</u>

The 'A' and 'B' shares hold different voting characteristics, with owners of 'B' shares holding ten votes per share compared to 1 vote per share for owners of 'A' shares.

12. SHARE PREMIUM ACCOUNT

	2014 £	2013 £
Balance at 1 April	6,640,323	6,448,745
Premium on shares issued in the year	<u>91,832</u>	<u>191,578</u>
Balance at 31 March	<u>6,732,155</u>	<u>6,640,323</u>

GOLDMONEY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31 March 2014

**13. RECONCILIATION OF OPERATING PROFIT TO
NET CASH USED IN OPERATING ACTIVITIES**

	2014	2013
	£	£
(Loss)/Profit from operations	(9,521,773)	279,785
Professional fees settled in the form of shares issued	300,886	280,960
Depreciation	141,000	127,800
Loss on disposal of fixed assets	6,056	-
Loss from discontinued operations	(263,523)	-
Operating cash flows before movement in working capital	<u>(9,337,355)</u>	<u>688,545</u>
Decrease/(increase) in other debtors	318,260	(70,648)
Decrease in GoldGrams held for resale	3,820,666	417,060
Decrease/(increase) in Silver ounces held for resale	3,370,956	(84,658)
Decrease in Platinum grams held for resale	110,496	492,636
Decrease in Palladium grams held for resale	208,200	607,844
(Decrease)/increase in creditors and accruals	<u>(51,319)</u>	<u>125,374</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>(1,560,095)</u>	<u>2,176,154</u>

14. RETAINED EARNINGS

	2014	2013
	£	£
Balance at 1 April	18,268,977	19,555,586
(Loss)/profit for the year	(10,696,400)	325,811
Distribution in-specie of shares in subsidiary	<u>(1,236,477)</u>	<u>(1,612,420)</u>
Balance at 31 March	<u>6,336,100</u>	<u>18,268,977</u>

On 26 June 2013 a new Group entity was incorporated. Netagio Limited was established to provide an online trading and storage platform for alternative currencies. On 24 March 2014 Netagio Limited transferred out from the Group by way of a distribution of shares to the shareholders of the Company and as such was no longer controlled by the Group. The distribution was made up from and included a transfer of £611,251 in respect of all assets, £625,226 cash payment. Operating costs of £263,523 for Netagio Limited have been reflected as a loss from discontinued operations in the statement of comprehensive income.

15. RELATED PARTY TRANSACTIONS

Two of the directors are engaged by related companies that perform services to a subsidiary company, Net Transactions Limited. Metalion Investments Limited ("Metalion") and Triama Holdings Limited ("Triama"), are related parties by virtue of the fact that each holds more than 5% of the equity of the Company as at 31 March 2014. Argentor Limited is a related party by virtue of the fact that the beneficial owners of the entity own more than 5% of the equity of the company at 31 March 2014. Additionally one of the directors receives consultancy fees from GoldMoney Network Limited for consultancy services provided by Owelam Consulting SAS. They have been compensated as follows for the 12 months ended 31 March 2014:

	2014	2014	2014	2014
	No of shares	Goldgrams	Silver ounces	£ equivalent
Metalion - for providing the services of Mr. J Turk	-	-	3,155	44,553
Argentor - for providing the services of Mr. J Turk	-	-	-	-
Argentor - for providing the services of Mr. G Turk	-	-	-	-
Owelam - for providing the services of Mr. G Turk	-	-	-	92,836
	2013	2013	2013	2013
	No of shares	Goldgrams	Silver ounces	£ equivalent
Metalion - for providing the services of Mr. J Turk	-	781	-	26,316
Argentor - for providing the services of Mr. J Turk	-	-	5,309	102,351
Argentor - for providing the services of Mr. G Turk	-	2,989	-	100,679

M Naik, W McCain, H Fleming, J Embry and J Smith did receive remuneration for their services as directors in the form of cash and share grants. The amounts recorded in the income statement were £156,224 (2013: £235,284) and the amounts outstanding at year end were £170,704 (2013: £209,679).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31 March 2014

16. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Assets measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels depending on whether their fair value is based on:

- > Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- > Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- > Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As the prices of the precious metals are acquired from London Gold Bullion, the fair value of the metals is classified as level 1.

17. CAPITAL MANAGEMENT

The Group is not subject to any regulatory requirements for maintaining any specific level of capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amounts of the share capital and share premium are disclosed in Notes 11 and 12.

18. GOING CONCERN

Based on business forecasts the directors believe the Group has sufficient financial resources to meet its obligations through the next 12 months following the signing of these financial statements. On this basis therefore, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

19. MARKET RISK

The Group is exposed to the financial risks of changes in foreign currency exchange rates because it holds currency balances and gold, silver and platinum for treasury purposes. Cash balances are not exposed to prevailing bank interest rates since there are no borrowings or hedging activities. Market risk arises on the trading of goldgrams and silver balances held for resale because the market price of these metals fluctuates due to factors specific to the metal, or other factors affecting currencies and investments. These risks are managed by a daily review of the Group's currency balances during which the Management decides to buy/sell the metals dependant on customer demand in order to keep currency balances and metal holdings in line with the Board's policy. It is not the policy of the Group to speculate by taking positions based on reviews or assessments of expected market movements.

20. CREDIT RISK

The Group has very limited exposure to credit risk (i.e., the financial loss that may arise from the failure of a customer to meet their obligations under a contract) because no precious metal is sold on credit. Customer orders to purchase metals are not funded until payment from the customer is first received.

The Group holds both cash in its own right and funds for customers, which are separate customer segregated accounts, with four different Banks. Funds held for customers are disclosed in note 26 of these financial statements. The Group has no beneficial rights over these balances.

The Credit ratings of these banks are monitored by Management to ensure appropriate action is taken should these fall below an acceptable level.

21. LIQUIDITY RISK

The Group has very limited exposure to liquidity risk since there are no borrowings or long term financial liabilities.

GOLDMONEY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 March 2014

22. INTEREST RATE RISK

The Group has no material exposure to interest rate risk since there are no borrowings or hedging activities. As such no sensitivity analysis has been prepared.

23. FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities		Net exposure	
	2014	2013	2014	2013	2014	2013
	£	£	£	£	£	£
US Dollar	1,072,124	2,656,014	285,078	541,861	787,046	2,114,154
Euro	1,208,457	886,011	32,465	11,491	1,175,992	874,520
Canadian Dollar	110,407	447,938	-	-	110,407	447,938
Swiss Franc	299,695	542,719	-	-	299,695	542,719
Japanese Yen	135,713	406,635	-	-	135,713	406,635
Australian Dollar	104,163	349,468	-	-	104,163	349,468
Hong Kong Dollar	152,691	334,882	3,747	-	148,944	334,882
New Zealand Dollar	122,713	326,610	-	-	122,713	326,610
	3,205,963	5,950,278	321,290	553,352	2,884,673	5,396,926

The carrying amount of the Groups non-foreign currency (GBP) is £547,232 (2013: £656,084).

24. FOREIGN CURRENCY AND METAL PRICE SENSITIVITY ANALYSIS

The exchange gains and losses in the Group's statement of comprehensive income are mainly derived from holding varying levels of foreign currencies and metals. The Group's exposure to foreign currency fluctuations has increased during the current year mainly due to the increase in level of bank deposits held within USD and EUR denominated deposit accounts, and a significant increase in inventory levels, which are denominated in GoldGrams and Silver ounces.

It is the policy of the Group to hold precious metal and cash on a 60:40 ratio and to closely manage the level of inventory held. The Group has decided against hedging to mitigate the exposure to foreign currency risk.

If the increase or decrease in exchange rate moved by 10% the net effect on the statement of comprehensive income would be £352,725 (2013: £605,906).

If precious metal prices moved by 10% the net effect on the statement of comprehensive income would be £1,065,901 (2013: £1,821,933)

This 10% represents management's assessment of the possible changes in foreign currency rate.

25. MAJOR SHAREHOLDERS

The following is a list of shareholders who hold more than 5% of the equity of the company as at 31 March 2014.

	2014 %	2013 %
Triama Holdings Limited	19.63	19.65
Metalion Investments Limited	17.29	17.28
IAMGOLD Corporation	6.33	6.34
NBCN Inc	9.54	9.55
Towneley Capital International	7.17	7.17
Quathlamba Limited	9.76	9.77

No major shareholder is considered to exercise control over the company and there is no ultimate controlling party to disclose.

GOLDMONEY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 March 2014

26. CUSTOMER GOLD, SILVER, PLATINUM AND PALLADIUM HOLDINGS AND FUNDS HELD

	2014 £	2013 £
Cash	45,110,329	44,600,863
1,562 Gold Bars (GoldGrams 20,559,569)	513,226,831	710,504,594
27,871 Silver Bars (Silver Ounces 27,854,310)	334,345,285	534,291,308
112 Platinum Bars (Platinum Grams 523,401)	14,342,583	15,535,836
65 Palladium Bars (Palladium Grams 230,921)	3,471,837	2,588,795
	<u>910,496,865</u>	<u>1,307,521,396</u>

As at 31 March 2014, the Group held 1,562 bars (2013: 1,702 bars) of gold with a fine gold weight of 20,559,569 grams (2013: 20,975,525 grams) for the users of the GoldMoney system.

As at 31 March 2014 the Group held 27,871 bars (2013: 28,628 bars) of silver with a fine silver weight of 27,854,310 ounces (2013: 28,300,095) for the users of the GoldMoney system.

As at 31 March 2014 the Group held 112 bars of platinum (2013: 99 bars) with a fine platinum weight of 523,401 grams (2013: 465,124) for the users of the GoldMoney system.

As at 31 March 2014 the Group held 65 bars of palladium (2013: 41 bars) with a fine platinum weight of 230,921 grams (2013: 158,634) for the users of the GoldMoney system.

The metal is held by five independent custodians. These metals are stored at VIA MAT International in three of its secure vaults which are located in London, Zurich and Hong Kong. The metals are also stored at G4S International Logistics (Hong Kong) Limited in its secure vault which is located in Hong Kong. The metals are also stored at Rhenus Logistics in its secure vault which is located in Zurich. The metals are also stored at Brink's Ltd in two of its secure vaults which are located in Toronto and Singapore. The metals are also stored at Malca-Amit in its secure vault which is located in Singapore.

Funds held for customers are held by four banks in separate customer segregated bank accounts and are therefore not shown on the Statement of Financial Position, as the Company has no beneficial rights over these balances.

27. SHARE OPTIONS

	2014 Number of share options	2014 Value of share options £	2013 Number of share options	2013 Value of share options £
Brought forward at the beginning of the year	11,170,000	518,871	10,750,000	237,911
Expensed during the year	850,000	300,886	420,000	280,960
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>12,020,000</u>	<u>819,757</u>	<u>11,170,000</u>	<u>518,871</u>
Vested at the end of the year	<u>10,500,000</u>		<u>9,750,000</u>	

In June 2010, the Board of Directors agreed to issue 9,750,000 3 year share options to employees and key suppliers of the Group. These share options vested on 1 April 2013 with a strike price of \$0.75 per share.

In March 2011, the Board of Directors agreed to issue 750,000 3 year share options to employees and key suppliers of the Group. These share options will vest on 1 April 2014 with a strike price of \$2.25 per share.

In March 2012, the Board of Directors agreed to issue 187,500 4 year share options to employees and key suppliers of the Group. These share options will vest on 1 April 2016 with a strike price of \$4.50 per share.

In March 2012, the Board of Directors agreed to issue 62,500 3 year share options to employees and key suppliers of the Group. These share options will vest on 1 April 2015 with a strike price of \$4.50 per share.

In May 2012, the Board of Directors agreed to issue 420,000 3 year share options to employees and key suppliers of the Group. These share options will vest on 1 April 2015 with a strike price of \$6.00 per share.

In May 2013, the Board of Directors agreed to issue 850,000 3 year share options to employees and key suppliers of the Group. These share options will vest on 1 April 2016 with a strike price of \$3.03 per share.

The share options were valued using the Black Scholes model. The share option expenses of £300,886 (2013: £280,960) is included within employment expenses in note 4. The average share price of the options for the 3 years was \$3.17 per share.

The Black Scholes pricing model used to value the share options. The following inputs were used:
Share Price \$2.50 (2013: \$4.00). Strike Price \$3.00 (2013: \$6.00). Risk free interest rate 0.5% (2013: 0.5%).
Percentage assumed to vest 100% (2013: 100%). Volatility rate 20% (2013: 37%)

28. KEY MANAGEMENT PERSONNEL AND DIRECTORS REMUNERATION

Key Management and Directors remuneration during the year was £1,055,237 (2013: £1,046,654) in salaries, £nil in share grants (2013: £52,736) and £137,621 in share options (2013: £105,275).