ClearBank Limited

2016 ANNUAL REPORT

For the period from 17 August 2015 to 31 December 2016

Registration number: 09736376

ClearBank Information

Current Directors

Mel Gerard Carvill
(Appointed on 19 April 2016)

Shonaid Christina Ross Jemmett-Page
(Appointed on 28 July 2016)

Marc Jenkins
(Appointed on 26 January 2017)

Charles Ashley McManus
(Appointed on 18 December 2015)

Jonathan Nicholas Ogden
(Appointed on 17 August 2015)

Graeme Smith
(Appointed on 28 July 2016)

Stan William Leo Spavold
(Appointed on 19 April 2016)

John Carter Risley*
(Appointed on 19 April 2016)

*John Risley is an alternate director for Stan Spavold

Company Number

09736376

Registered Address

Level 29
The Gherkin
30 St Mary Axe
London
England
EC3A 8EP

Independent Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Strategic Report

Executive Chairman's Statement

ClearBank is the UK's first new clearing bank in more than 250 years. It plans to create a greater level of open competition and transparency within the UK financial services marketplace. It is the first modern clearing bank in the UK to design its entire IT system as a green field project, using state of the art platform technology.

After more than three years of development we are proud to have successfully launched ClearBank in February 2017, having obtained a Banking Licence in December 2016.

ClearBank was conceived in 2014, following a chance conversation about payments market access. The conversation centred on the fact that numerous papers since the Cruickshank Report (2000) had highlighted the need for structural market reform. In the 1960s there were 16 banks providing clearing services. Since then, considerable market consolidation has occurred, which has had the effect of decreasing competition.

> ClearBank aims to transform the existing market dynamic for financial services providers, for businesses regulated by the Prudential Regulation and Financial Conduct Authorities (PRA / FCA) and for Fintech.

Every business requires transactional banking but many financial services businesses cannot provide a full financially inclusive offering to their customer base, as operating a customer current account service is both complex and expensive. Further complexity is driven by the varying requirements of each individual payment scheme and the need for significant infrastructure investment.

ClearBank is designed specifically to address these issues for financial services businesses and our unique approach has enabled us to build a state of the art platform, free from legacy constraints and specifically designed to deliver clearing services. The transformational banking experience this technology delivers will facilitate faster, more efficient and cost effective payment transactions for everyone.

ClearBank offers financial service providers access to Current Account, Core Banking Solution and Payment Scheme Access, all operated within a liquidity-managed current account.

As a member of all the UK payment schemes, ClearBank also offers UK based agency banking services and payment scheme

Nick Ogden
Executive Chairman

Charles McManus
CEO and Executive Director

sponsorship on an independent, non-competitive and transparent basis. In doing so ClearBank supports standalone sort codes, significantly improving speed to market.

Our customers will also benefit from a purpose built cutting edge technological solution. ClearBank infrastructure is designed and built in accordance with ISO 20022 and is connected via a closed loop circuit with Azure environments (MPLS). Only MPLS connections can be made, eliminating open source vulnerabilities. The technology is also scalable and flexible, with standardised coding languages across multiple platforms and channels and the ability to rotate internal resource components across the entire stack.

In March 2017, the Payment Systems Regulator (PSR) published their progress report into market access and governance. In that report the PSR highlighted their key objectives with respect to developing the market, namely: choice, time, value, quality and engagement. At ClearBank those are also our objectives.

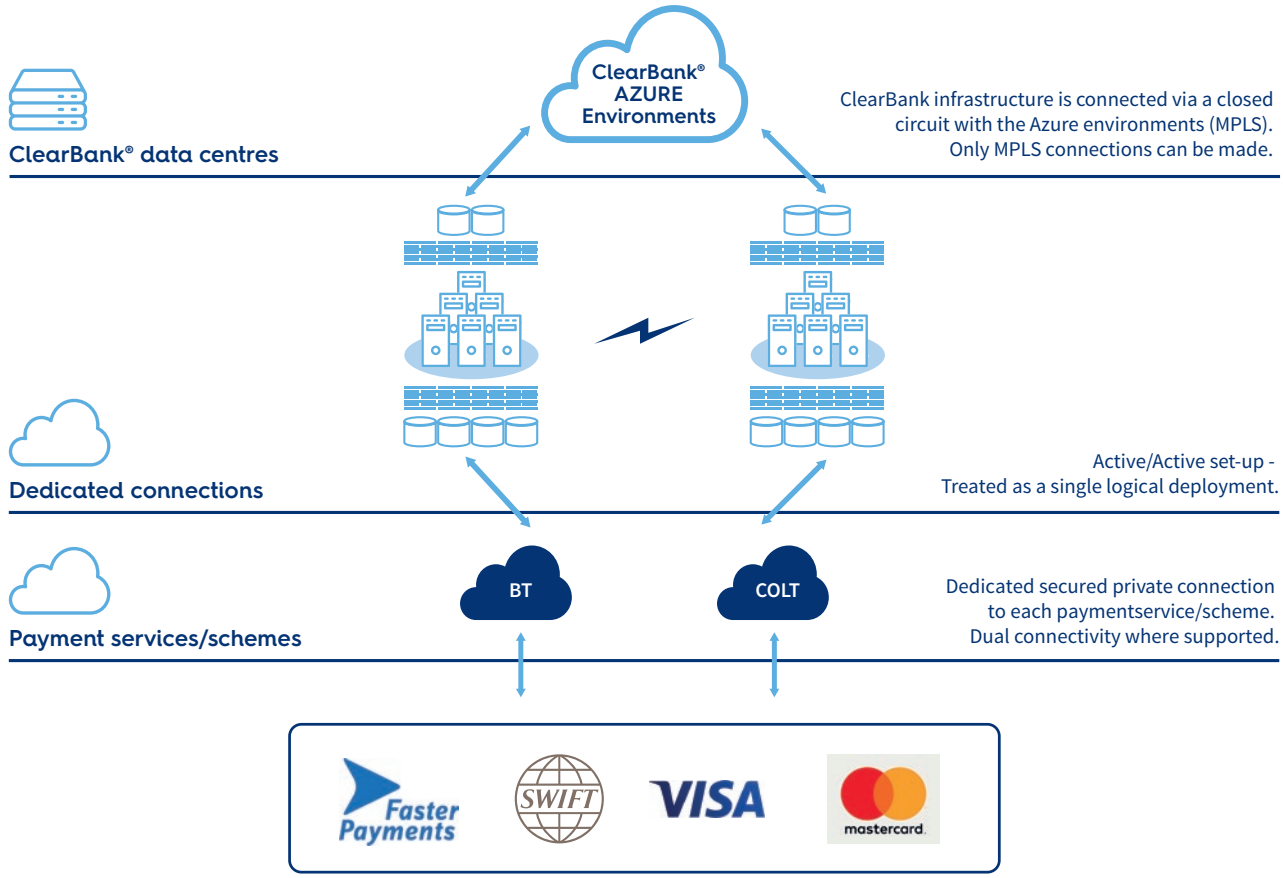
The ClearBank team believes that a banking market revolution can only be truly unlocked with the introduction of a brand-new clearing bank; one without the challenges associated with legacy architecture, without operational reliance on any other bank – driving operational efficiencies and new customer standards.

Finally, I would like to thank all the ClearBank team, led by CEO Charles McManus, for their exceptional commitment, hard work and achievement over the last few years. I would also like to thank my Board and the Investors for their continued support.

A banking revolution has begun.

Nick Ogden
Executive Chairman

How ClearBank Works



Chief Executive Review

Following its formation in 2015, ClearBank's vision was that a new clearing bank could bring competition, transparency and leading edge technology to the banking market.

With that vision in mind, a small group of innovative IT and banking professionals started working on a business model and technology over the following 2 years, this work culminating in our regulatory business plan ("RBP") being submitted to the PRA and FCA in March 2016, along with our first ICAAP and ILAAP.

Following the submission of our RBP, ClearBank has achieved several significant milestones and continues towards its stated aim of launching the UK's first new clearing bank in over 250 years.

- An initial £5m capital was raised during April 2016 which provided initial funding to enable the business to undertake key IT development activities
- A series of regulatory meetings were held during April and May 2016 to review the RBP, ICAAP and ILAAP
- Following these meetings, ClearBank was invited to formally submit its banking application. This was submitted to the PRA and FCA on 29th July 2016
- A further £20m capital was raised during December 2016
- Also during December 2016, ClearBank's banking licence was approved by the UK regulators which, in line with normal protocols, meant ClearBank moved into mobilisation, where the Bank continued to complete building its infrastructure ready for customer onboarding. This mobilisation period is scheduled to conclude during the Autumn of 2017. To support this effort, the Bank has been busy recruiting a first-rate team of experienced financial services professionals across all areas of the bank, including IT, Operations, Risk and Finance
- On 28th February 2017, ClearBank hosted a press conference formally announcing the Bank.

Work now continues with a focus to exit mobilisation and open the bank to customers following completion of thorough testing of the platform, payment scheme connectivity and a comprehensive staff training programme. During this period we continue to work with a small number of initial customers in preparation for exiting mobilisation.

Chief Executive Review cont.

ClearBank Services

When ClearBank opens our doors to customers in Autumn 2017, it will provide banking services to financial services providers, FCA-regulated businesses and Fintech. ClearBank will provide secure access to our own core banking solutions, connectivity to payment schemes and systems that are all operated within a liquidity-managed current account.

Agency banking services

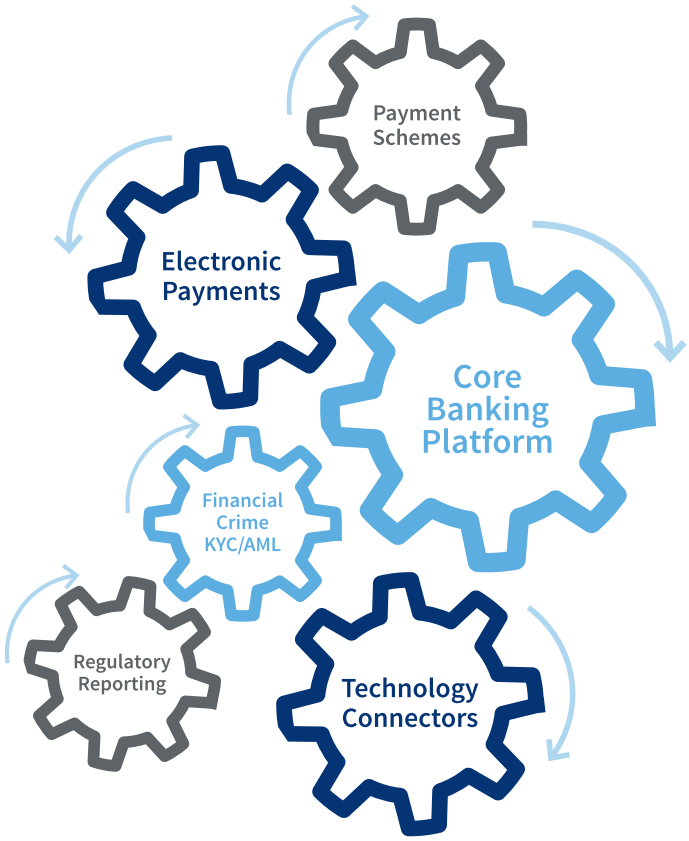
As a member of all the UK payments schemes, ClearBank offers UK-based agency banking services and payment scheme sponsorship on an independent, neutral, non-competing and transparent basis, including sort code issuance.

Transaction banking

ClearBank offers access to all UK payment schemes via agency banking services. ClearBank is also a member of the SWIFT interbank network.

Every customer is required to open a ClearBank Current Account to access our banking services.

ClearBank Current Accounts include access to all our payment services, electronic payment schemes and our card issuing platform. Our customers choose to use the services that are appropriate to them.



Customers can integrate existing business systems and processes on their own IT platform into the ClearBank core using the Application Program Interface (API). Similarly, regulated businesses can use the ClearBank core banking platform to deliver their own branded Current Account services directly to their customers.

Transaction Banking:

A standard requirement for all customers

Used by Financial Institutions to operate current account services to their own customer base

Used to connect from legacy Systems to the ClearBank Core

Chief Executive Review cont.

As part of this offering, regulated businesses and Fintech customers will be able to rapidly deploy sort code based open market services to encourage their own client engagement. The ClearBank fully integrated solution matrix delivers a choice of services, speed to market and industry leading service levels. The ClearBank platform is built entirely around a service-based cloud architecture which enables the integration of any front-end application.

When a customer chooses the complete ClearBank offering, they will select a leading-edge technology platform that has been designed and built using the same principles as those that formed Platform as a Service (PaaS) Cloud offerings.

A complete Services Orientated Architecture (SOA) approach has been taken, de-coupling components into services, reducing code duplication and easing maintenance tasks – all helping ClearBank to remain a highly agile technology provider. This lets us avoid the pitfalls of legacy technology experienced by other bank providers, whilst at the same time placing greater value on business functionality and interoperability.

ClearBank takes its SOA approach further by heavily investing in micro-servers which specialise in a limited number of functions, this provides a greater level of granularity across the bank's entire technology offering. The bank's approach enhances cohesion and decreases coupling, which in turn allows a faster operating speed and scalability of data.

ClearBank allows institutions to pick and choose the services and products they wish to use and/or provide to their own customers.

> I would also like to extend my personal thanks to all the ClearBank team for their outstanding work during 2016. I am proud of the collective achievements of the team during the period, and very much look forward to the next chapter in the ClearBank story.

Charles McManus
Chief Executive Officer

ClearBank uses the following biometrics:

Face

Voice

Palm

Corporate Governance

The Board recognises that exemplary standards of Corporate Governance are essential for delivery of the Company's strategic objectives, regulatory standards, shareholder value and longer term protection of all stakeholders.

It is recognised that good governance should emanate from the Board and disseminate through the entire organisation, being reflective in the bank's culture, committees, policies and procedures to drive business development in a prudent and pragmatic manner, in line with ClearBank's business plan.

ClearBank strengthened its Board of Directors during this reporting period with the appointment of its first Non-Executive Directors: Shonaid Jemmett-Page and Graeme Smith joined the Board in July 2016. The Board Risk Committee, responsible for the Bank's risk framework is chaired by Graeme Smith. Similarly, the Board Audit Committee, chaired by Shonaid Jemmett-Page, the Senior Independent Director (SID) is responsible for oversight of the integrity of the bank's financial statements and the performance of the Internal Audit Function, together with other Board Committees such as the Nominations Committee and the Remuneration Committee which were established in early 2017.

Given the nuances of the Company's governance model, our Executive Chairman is supported by the SID in the execution of his Board level responsibilities – he does not maintain a casting vote and all matters taken to the Board must first have the approval of the SID.

The Board's terms of reference include a formal schedule of matters specifically reserved for the Board's decision and these are reviewed at least annually. At the highest level, the Board is responsible for the governance and culture of the bank, as a means of monitoring ClearBank's risk appetite, operating framework and compliance as defined by the bank and the competent domestic authorities. To provide effective oversight and leadership, the Board has established a number of Board committees with responsibilities.

The Board is also supported by the Executive Committee (ExCo) which is the most senior form of Executive corporate governance with a number of sub-committees reporting into it. Its monthly meeting then reports up to the Board and each Executive is responsible for compiling departmental reports to the Board Risk Committee (BRC) and Audit Committee. As with the Board Committees, ExCo continues to develop as ClearBank achieves growth objectives.

Meet the Board

Executive Chairman

Nick Ogden

CEO and Executive Director

Charles McManus

CFO and Executive Director

Marc Jenkins

Senior Independent Director
and Chair of the Audit Committee

Shonaid Jemmett-Page

Independent Non-Executive Director
and Chair of Risk Committee

Graeme Smith

Investor Director

Stan Spavold*

Investor Director

Mel Carvill

*John Risley is an alternate director for Stan Spavold.

Risk Management

Effective risk management is strategically important for the Bank, and a robust approach to risk management enables the Bank to methodically address risks attached to operational and strategic activities, increasing the probability of success and thus also reducing the probability of failures.

Sound risk management practices enable the Bank to take risks knowingly, to reduce risks where appropriate and to prepare strategic, operational and financial plans which consider inherent uncertainties. Given the nature of the Bank's activities, the most important risks relate to operational risks, specifically operational resilience, information security and adherence to regulatory requirements.

The risks that the Bank faces are identified and recorded in risk registers. A detailed assessment of these risks and their materiality, on a current and forward-looking basis, is undertaken on a regular basis, and the conclusions are documented within risk registers. This risk assessment helps to define controls and control enhancements to ensure the Bank operates within its formally stated risk appetite.

The identification, mitigation and management of the Bank's risks drives our assessment of risk capital. This process is assessed as part of our Internal Capital Adequacy Assessment Process (ICAAP). The risk identification and assessment process also plays an important part in identifying our liquidity needs as described in our Individual Liquidity Adequacy Assessment Process (ILAAP) and informs our Recovery and Resolution Plan (RRP). The ICAAP, ILAAP and RRP are core aspects of the risk management process within the Bank and are reviewed at least annually.

Risk Management Framework (RMF)

The Bank has a documented RMF which explains how the Bank, within its defined appetite for risk, identifies and manages risk. This is supported by having appropriate policies, procedures, governance, systems and controls in place to enable effective risk management at the Bank. Risk management refers to the process of identification, assessment, measurement, control and monitoring of risks to which the Bank is exposed.

The structure of the RMF is designed to support the business in managing the risks in a way which is consistent with the risk appetite, as set by the Board.

The RMF has three core components:

1. **The risk management strategy defines the Bank's approach to risk management and how much risk the Bank wants to take (risk appetite).**
2. **Risk governance outlines the communication, escalation and decision-making approach regarding risk.**
3. **The risk management process and protocols cover the risk management activities, policies and procedures undertaken by the business, and includes the assessment and measurement of risk.**

Risk Management cont.

Risk Governance

The RMF is supported by a 'Three Lines of Defence' model. This approach ensures a clear delineation of responsibilities between control over day to day operations, risk oversight and independent assurance of the Bank's activities.

First line – Business operations and support functions:

- First line manages the risks in the business within agreed risk tolerances or limits, i.e. they identify, measure, monitor and control risks within each functional area, report and escalate issues, to evidence control.
- As part of the controls, the first line needs to implement and adhere to the mandates, policies and processes that are part of the control environment.
- First line also identifies and quantifies new or emerging risks as internal activities or the external environment changes and responds by implementing appropriate controls to mitigate risks.

Second line – Risk Oversight

- Risk Oversight support a structured approach to risk management as outlined in the RMF: To monitor and oversee risk management and to ensure appropriate controls are in place within the first line.
- They provide independent oversight and guidance on risks relevant to the Bank's strategy and activities. They maintain a Bank-wide view of risk and monitoring performance in relation to the Bank's risk appetite.
- Risk Oversight monitor changes to, and compliance with external regulation, and promote best practice in risk management.

Third line – Internal Audit

- Internal Audit provide independent assurance to the Board via the Audit Committee that the risk controls are operating effectively.

Key Risks

Strategic and Business Risks:

These are risks that can affect the Bank's ability to achieve its corporate and strategic objectives. Given the broad nature of these risks, they will include and be influenced by the other principal risks below. Considering risks at this level is important as it provides a holistic perspective on risk and includes external factors to the Bank.

Operational Risk:

Operational Risk is the risk of financial loss and or reputational damage resulting from inadequate or failed internal processes, people and systems, or from external events.

The Bank continues to develop systems and controls to minimise costs and potential losses associated with operational risks. The risks are mitigated by the oversight of experienced staff and the involvement of senior management in any risk events and incidents. Policies and procedures are in place to address and mitigate our operational risks. Operational risk reporting will be enhanced on a continuous improvement basis.

Given the nature of the Bank's focus on transactional banking services, maintaining secure and reliable systems which need to maintain continual connectivity to the various payment schemes is essential. There are a number of inherent risks associated with supporting real time transactional services, and the Bank has developed its own infrastructure leveraging modern cloud and security technology, so operational resilience and security risks are sufficiently mitigated.

Cyber Risk is the possibility of a security breach, loss or disruption to the IT infrastructure and data. This is a critical area for the Bank and as mentioned above, mitigated by building the IT and data infrastructure using current technology, so avoiding certain risks normally associated with legacy issues. This also

Risk Management cont.

means that ClearBank has in place an infrastructure that is resilient with the necessary security levels to meet international standards and regulatory requirements. The Board Risk Committee provides oversight to ensure that the impact of any change is appropriately controlled.

Conduct Risk:

Conduct risk is the risk of detriment caused to the Bank's customers due to inappropriate execution of its business activities and processes, including the sale of unsuitable products. Customer detriment could also occur through an operational risk event.

The Bank has procedures for proactively dealing with any operational and customer issue. This involves an approved product governance structure, an escalation process, appropriate actions and clear communication with our customers. The Bank's culture is to protect the brand from any internal or external driven exposures and problems. The Board instils the right cultural drivers to ensure the appropriate steps are taken for our customers and prompt management action is taken to reduce the impact of any such events which could occur.

Capital Risk:

Capital risk is the risk that the Bank has insufficient capital to cover stressed conditions, regulatory requirements or growth plans.

It is mitigated by BRC review, at least annually, of ICAAP (Internal Capital Adequacy Assessment Process) provided by Risk, Treasury and Finance departments. This is used to determine the bank's capital needs, ensuring that the levels of capital required to support the current and future risks of the bank are met. This review addresses all the material risks and includes stress scenarios to ensure that all minimum requirements are met. The capital position of the bank is monitored monthly by the ExCo and reported to the Board and BRC monthly. Any issues are reported immediately. It is the intention that the Bank will always operate at levels that are sufficiently above minimum regulatory requirements.

Liquidity Risk:

Liquidity risk is the risk that the Bank is not able to meet its financial obligations as they fall due, or can do so only at excessive cost.

ClearBank maintains adequate levels of liquidity and will ensure that it continues to maintain sufficient levels of liquidity to meet foreseeable and unexpected needs. Policies and procedures are in place to manage liquidity risk. The treasury department is responsible for ensuring sufficient liquid assets are maintained to be able to meet all financial obligations. Limits for the level, type and maturity of liquidity and deposit funding balances are set by BRC. Independently, Finance and Risk departments monitor compliance with these limits.

Interest Rate Risk:

Interest Rate Risk is the risk of financial loss through un-hedged or mis-matched asset and liability positions which are sensitive to interest rate changes.

This risk is mitigated by seeking to create a natural hedge by matching the interest rate structure of assets and liabilities, or by entering into derivative arrangements if necessary. Policies and procedures are in place to manage our interest rate risk. Internal limits are set by the ALCO under the direction of the Exco and BRC that provides oversight.

Market Risk:

Market Risk is the risk of financial impact from movements in market prices on the value of assets and liabilities. Given the activities of the Bank, the main market risk driver arises through interest rate movements, which are managed as described above.

Credit Risk:

Credit Risk is the risk of financial loss arising from a borrower or counterparty failing to meet their financial obligations to the Bank to repay in accordance with agreed terms. ClearBank maintains an appetite for credit risk, in the context of our areas

Risk Management cont.

of our expertise and operation, which are aligned to the Bank, for providing certain banking products to Small/Medium Enterprises (SMEs). Any concentrations in specific product, sector or customer segments are countered by enhanced controls, appropriate systems, sufficient expertise and risk management methods to enable such concentrations to be acceptable and consistent with the overarching risk appetite statement.

ClearBank carries counterparty credit risk through our cash and liquid asset placement activity and, as a means of managing our surplus liquidity, the Bank would only place funds with the Bank of England and invest in government instruments. Credit Risk policies and protocols are in place to manage our SME credit risk.

Regulatory and Compliance Risk:

Regulatory and Compliance risk cover the possibility that regulatory and legislative changes may significantly impact the Bank's business model or that the Bank fails to comply with existing requirements.

The Bank operates within the context of the UK Legal and Regulatory environment (also within European law adopted and supported by UK regulators). Whilst this context does not in itself create any specific risks for the Bank, non-adherence or breach of such laws (MLR, DPA, HMRC, FATCA) and regulations (through PSR, PRA, FCA and EBA) could have significant negative outcomes.

To ensure that the Bank is aware of both current and upcoming legal or regulatory changes the Bank allocates the responsibility for monitoring such changes to specific areas of the Bank: The Legal Counsel and Compliance functions. The Compliance function is within the Second Line of Defence, reporting into the Chief Risk and Compliance Officer. Reporting of any forthcoming changes to Regulation or law is routinely made at a number of the Management Committees and to the Board, for both communication and for subsequent actions to be taken by senior management.

Regulatory Changes:

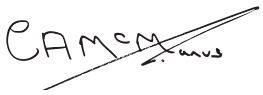
The Bank is aware that there are several regulatory changes which will impact its activities soon. These include the second Payment Services Directive (PSD 2), the 4th Money Laundering Directive (4MLD), the General Data Protection Regulation (GDPR) and changes to the Wire Transfer Regulations. The Bank has plans in place to understand and accommodate these changes, some of which come into effect during 2017. Given the pre-launch development and implementation phase that the Bank is in, these changes are being designed into the build-out of operational processes. This is a relatively straightforward process, compared to making extensive changes in an established and embedded environment. The implementation of these new regulations will be overseen by ExCo and BRC.

Emerging Risks:

Given the Bank is in mobilisation phase, there are activities to complete before the Bank can exit mobilisation. Any project has uncertainties, which means that there are inherent risks to completing activities, especially where there is a reliance on third parties. To mitigate this risk, there are detailed project plans in place and frequent project review meetings to closely monitor progress and any critical dependencies.

The external environment also contains risk. There are several changing political (Brexit), legislative and regulatory changes which increases uncertainty in the operating environment. Notwithstanding, the known changes are not considered to be a material hindrance to the Bank's plans. Indeed, the regulatory and political objective of creating more competition in the payment services sector puts the Bank in a favourable position to respond to this trend.

Approved by the Board of Directors and signed on behalf of the Board on 19th April 2017



Charles McManus
Chief Executive Officer

Directors' Report

Directors' Report

The Directors present their report and the consolidated financial statements of the Group for the period from 17 August 2015 to 31 December 2016. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Review of the business

The Group recorded a net loss for the year of £5,775,189. In line with the ongoing development of IT infrastructure in support of the Bank's proposed launch during 2017, the financial statements for the period to 31 December 2016 reflect considerable investment in IT research and development activities. Staff Costs charged to the Income Statement during the period totalled £2,451,609, with a further £185,148 charged in relation to IT operational expenditure. £839,759 of development costs directly attributable to the development of the Company's banking platforms were also Capitalised as an Intangible Asset during the period.

> Total Assets at the end of December 2016 were £21,926,501 - primarily comprising £18,474,735 in cash, with Intangible Assets accounting for a further £2,032,000, and Computer Equipment £931,506.

In support of the development of the Bank's IT platform, the Company acquired the Abele Technologies group of Companies in April 2016. In addition to the Company's banking platform, the other primary area of IT focus during 2016 has been the integration into the CHAPS, Faster Payments Services (FPS) and BACS payments schemes.

Events after the reporting period

In the opinion of the Directors there were no events after the reporting period which require disclosure in the financial statements.

Directors

The directors holding office during the period from 17 August 2015 to 31 December 2016 were as follows:

Mel Gerard Carvill
(Appointed on 19 April 2016)

Shonaid Christina Ross Jemmett-Page
(Appointed on 28 July 2016)

Charles Ashley McManus
(Appointed on 18 December 2015)

Jonathan Nicholas Ogden
(Appointed on 17 August 2015)

Graeme Smith
(Appointed on 28 July 2016)

Stan William Leo Spavold
(Appointed on 19 April 2016)

James Charles Deane Farrar
(Appointed on 18 December 2015 and resigned on 28 November 2016)

John Carter Risley*
(Appointed on 19 April 2016)

*John Risley is an alternate director for Stan Spavold

Re-appointment of auditors

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Directors Responsibility Statement

The Directors are responsible for preparing the Annual Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

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 International Financial Reporting Standards as adopted by the European Union. 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 Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

a. Select suitable accounting policies and then apply them consistently

b. Make judgements and estimates that are reasonable and prudent

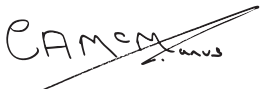
c. State whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

d. Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business

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

The Directors confirm that so far as they are aware, there are no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board on 19th April 2017



Charles McManus
Chief Executive Officer

Independent Auditor's Report

Independent Auditor's Report

We have audited the financial statements of ClearBank Limited for the period from 17 August 2015 to 31 December 2016 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Financial Position, the consolidated and company Statement of Cash Flows, the consolidated and company Statement of Changes in Equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, about the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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. Fully 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 auditors

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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at **www.frc.org.uk/auditscopeukprivate.**

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's loss for the period then ended;
- Have been properly prepared in accordance with IFRS as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the companies act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report cont.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Daniel Taylor
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor London

Date: 19th April 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	Period from 17 August 2015 to 31 December 2016 £
Interest and similar income		-
Interest and similar expense		(160)
Net interest and similar income		**(160)**
Other income		3,000
Scheme fees		(94,129)
Staff Costs	2	(2,451,609)
Operating expenses	4	(3,181,682)
Operating loss		**(5,724,580)**
Depreciation and amortisation	5	(82,795)
Impairment of Goodwill		(91,717)
Loss before taxation		**(5,899,092)**
Taxation	6	123,903
Total comprehensive loss for the year		**(5,775,189)**
Attributable to:		
Owners of the company		**(5,775,189)**

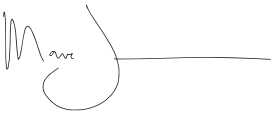
The notes on Pages 29 to 51 form part of these Financial Statements.

Consolidated Statement of Financial Position

	Notes	31 December 2016 £
Assets		
Cash and cash equivalents	7	18,474,735
Financial investments	8	105
Trade receivables		394
Other assets	9	487,761
Loans and advances to customers		-
Property, plant and equipment	10	931,506
Intangible assets	11	2,032,000
TOTAL ASSETS		**21,926,501**
Liabilities		
Customer accounts		-
Other liabilities	12	2,447,475
TOTAL LIABILITIES		**2,447,475**
Equity		
Share capital	13	12
Share premium account	14	25,254,203
Retained earnings		(5,775,189)
TOTAL EQUITY		**19,479,026**
TOTAL LIABILITIES AND EQUITY		**21,926,501**

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

Charles McManus
Chief Executive Officer
19 April 2017



Marc Jenkins
Chief Financial Officer
19 April 2017

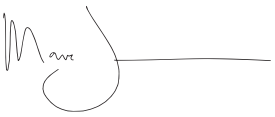
Registration number: 09736376. *The notes on Pages 29 to 51 form part of these Financial Statements.*

Company Statement of Financial Position

	Notes	31 December 2016 £
Assets		
Cash and cash equivalents	7	18,452,437
Financial investments	8	105
Trade receivables		394
Other assets	9	828,557
Loans and advances to customers		-
Investments		191,479
Property, plant and equipment	10	926,255
Intangible assets	11	1 ,548,284
TOTAL ASSETS		**21,947,511**
Liabilities		
Customer accounts		-
Other liabilities	12	2,468,485
TOTAL LIABILITIES		**2,468,485**
Equity		
Share capital	13	12
Share premium account	14	25,254,203
Retained earnings		(5,775,189)
TOTAL EQUITY		**19,479,026**
TOTAL LIABILITIES AND EQUITY		**21,947,511**

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

Charles McManus
Chief Executive Officer
19 April 2017



Marc Jenkins
Chief Financial Officer
19 April 2017

Registration number: 09736376. *The notes on Pages 29 to 51 form part of these Financial Statements.*

Consolidated Statement of Cash Flows

	Period from 17 August 2015 to 31 December 2016 £
Cash flows from operating activities	
Loss for the period	(5,775,189)
Adjustment for non-cash items	
- Depreciation and amortisation	82,795
- Impairment of goodwill	91,717
- Costs of raising finance included in legal & professional fees	1,550,515
Changes in operating assets and liabilities	
- Net increase in financial investments	(105)
- Net increase in trade receivables	565
- Net increase in other assets	(454,640)
- Increase in trade and other payables	1,994,718
Net cash used in operating activities	**(2,509,624)**
Cash Flow From Investing Activities	
Acquisition of subsidiaries	(191,479)
Purchase of property, plant and equipment	(991,622)
Purchase of intangible assets	(1,560,839)
Cash acquired on acquisition of subsidiaries	24,599
Net cash outflows from investing activities	**(2,719,341)**
Cash Flow From Financing Activities	
Proceeds from issuance of ordinary shares	25,254,215
Cost of raising finance	(1,550,515)
Net cash inflows from financing activities	**23,703,700**
Net increase in cash and cash equivalents	**18,474,735**
Cash and cash equivalents as at beginning of the period	**-**
Cash and cash equivalents at the end of the period	**18,474,735**

At 31 December 2016, the cash and cash equivalents balance comprises only bank balances.

The notes on Pages 29 to 51 form part of these Financial Statements.

Company Statement of Cash Flows

	Period from 17 August 2015 to 31 December 2016 £
Cash flows from operating activities	
Loss for the period	(5,775,189)
Adjustment for non-cash items	
- Depreciation and amortisation	73,765
- Costs of raising finance included in legal & professional fees	1,550,515
Changes in operating assets and liabilities	
- Net increase in financial investments	(105)
- Net increase in trade receivables	(394)
- Net increase in other assets	(828,557)
- Increase in trade and other payables	2,468,485
Net cash used in operating activities	**(2,511,480)**
Cash Flow From Investing Activities	
Acquisition of subsidiary	(191,479)
Purchase of property, plant and equipment	(987,465)
Purchase of intangible assets	(1,560,839)
Net cash outflows from investing activities	**(2,739,783)**
Cash Flow From Financing Activities	
Proceeds from issuance of ordinary shares	25,254,215
Cost of raising finance	(1,550,515)
Net cash inflows from financing activities	**23,703,700**
Net increase in cash and cash equivalents	**18,452,437**
Cash and cash equivalents as at beginning of the period	**-**
Cash and cash equivalents at the end of the period	**18,452,437**

At 31 December 2016, the cash and cash equivalents balance comprises only bank balances.

The notes on Pages 29 to 51 form part of these Financial Statements.

Statement Of Changes In Equity

Consolidated Statement of Changes In Equity	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance as at 17 August 2015	-	-	-	-
Proceeds from issue of shares net of expenses	12	25,254,203	-	25,254,215
Loss for the period	-	-	(5,775,189)	(5, 775,189)
Balance at 31 December 2016	**12**	**25,254,203**	**(5, 775,189)**	**19,479,026**

Company Statement of Changes In Equity	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance as at 17 August 2015	-	-	-	-
Proceeds from issue of shares net of expenses	12	25,254,203	-	25,254,215
Loss for the period	-	-	(5,775,189)	(5, 775,189)
Balance at 31 December 2016	**12**	**25,254,203**	**(5, 775,189)**	**19,479,026**

Notes to the Financial Statements

Notes to the Financial Statement

1. Group and company accounting policies

Basis of preparation

The consolidated financial statements of ClearBank Limited have been prepared and approved by the Board of Directors in accordance with the Companies Act 2006 and with International Financial Reporting Standards ("IFRS") and their interpretations as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU").

Accounting convention

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

In line with section 408 of the Companies Act 2006 the exemption from the preparation of a company only income statement has been adopted.

Future accounting developments

At the date of authorisation of these financial statements, certain standards and interpretations have been issued, but are not yet effective. These standards have not been applied in these financial statements.

The Directors have reviewed these standards and do not believe that the adoption of those standards would have a material impact upon the financial statements of the Group. The Directors are however considering the possible implications of these standards on future periods and believe that the impact of these standards will be minimal, except as follows:

i. IFRS 9 "Financial Instruments". Following adoption by the EU with an effective date covering Accounting Periods commencing on or after 1st January 2018, the Group intends to adopt this standard from 1st January 2017. The main anticipated impact upon the Group's activities will relate to the earlier recognition of impairment losses. The Group is designing systems and processes to implement this standard.

ii. IFRS 15 "Revenue from Contracts with Customers". Following adoption by the EU with an effective date covering Accounting Periods commencing on or after 1st January 2018, the Group will adopt this standard from 1st January 2017. The main impact upon the Group's activities relates to fees charged at the start of contracts, and the Group has reflected this change in all financial forecasting following the date of adoption by the EU.

Going concern

The financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Group will have adequate resources to continue in business for a minimum of 12 months following the date of approval of these financial statements. In assessing going concern, the Directors have considered the current Balance Sheet, the financial projections and plans for future capital injections. The Directors have also considered the minimum Capital Requirements set by the PRA, and are satisfied that the Group will be able to meet its ongoing capital obligations.

Use of estimates and judgements

The preparation of financial statements requires the Group to make estimates and judgements that affect items reported in the statements.

1. Group and company accounting policies cont.

Although all estimates are entered based upon management's best knowledge of current facts, actual results may ultimately differ from these estimates.

All 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.

Interest and similar income and expense

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in GBP, which is the Company's functional and the Group's presentation currency.

Foreign currency transactions and balances

i. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

ii. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

iii. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

iv. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'other income or finance costs'. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

Financial assets and liabilities

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial liabilities are measured at amortised cost unless they are required to be measured at FVTPL or the Group has opted to measure a liability at FVTPL.

1. Group and company accounting policies cont.

Certain liabilities are required to be measured at FVTPL. These include all derivatives (such as foreign currency forwards or interest rate swaps) and the Group's own liabilities that it considers to be held for trading purposes. Financial liabilities that are required to be measured at FVTPL (as distinct from those that the Group has chosen to measure at FVTPL, which is discussed below) continue to have all fair value movements, including those related to changes in the credit risk of the liability, recognised in profit or loss.

The amortised cost of a financial asset or financial liability is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the 'effective interest method' of any difference between that initial amount and the amount payable at maturity and minus any reduction (directly or using an allowance account) for impairment or un-collectability.

Cash and cash equivalents

Cash is recognised initially at the amount received by the Group or the amount received into the Group's bank account. Cash equivalents are initially recognised at cost, which is the fair value of the consideration given to acquire the cash equivalent.

For the purchase and sale of financial assets, the transaction is recognised using either trade date accounting or settlement date accounting. The transaction is recognised on the trade date for recognition/derecognition of financial assets. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets defined in the relevant financial instruments policy. For this purpose assets that are held for trading form a separate category from assets designated at fair value through profit or loss.

Property, plant, equipment and fixtures and fittings

Property, plant, equipment and fixtures and fittings are stated at cost less accumulated depreciation and any provision for impairment. Where applicable, historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Property, plant and equipment are depreciated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Depreciation will commence from the month immediately following acquisition, up to and including the end of the useful life, or where applicable, the final depreciation charge will be entered in the month of disposal.:

Depreciation is charged on the following basis:	
Computer equipment	33% straight line
Office equipment	33% straight line
Fixtures and fittings	20% straight line

The consideration receivable on disposal of an item of Property, plant, equipment, and fixtures & fittings is recognised initially at its fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with IAS 18 reflecting the effective yield on the receivable.

Intangible assets

Intangible assets acquired or built by the Group are measured at cost less accumulated amortisation and any impairment losses. An intangible asset shall be recognised only if it is probable that expected future benefits attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably.

1. Group and company accounting policies cont.

Intangible assets are amortised on a straight-line basis over the period that management believe the asset will generate net cash inflows for the Group – commencing from the month immediately following acquisition, up to and including the end of the useful life, or where applicable, the final amortisation charge will be entered in the month of disposal. No assets are assumed to have indefinite lives. The amortisation charge is recognised immediately in the income statement.

The estimated useful lives of the main classes of intangible assets held by the Group are as follows:

Computer software	20% straight line
Intangibles	20% straight line

Assets that are significant in value are reviewed at least annually to ensure the economic life is still appropriate and the resulting depreciation charge is still appropriate. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. Such changes shall be accounted for as changes in accounting estimates in accordance with IAS 8.

Intangible Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired and where applicable, the amount to be impaired is recognised in the income statement.

Research and Development expenditure

Research expenditure is written off to the income statement in the period in which it is incurred.

Development expenditure, where it meets certain criteria (given below), is capitalised and amortised on a straight-line basis over its useful life. Asset lives are subject to regular review and an impairment exercise carried out at least once a year. Where no internally-generated intangible asset can be recognised, development expenditure is written-off in the period in which it is incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

1. Group and company accounting policies cont.

Taxation

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity.

Any tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax

The potential deferred tax asset relating to these tax losses has not been recognised as the recoverability is dependent on there being future taxable trading profits against which to offset the asset and these are not considered to be sufficiently certain.

Capital instruments

An asset's classification depends on the Group's business model for managing the financial asset and whether the asset's contractual cash flows represent solely payments of principal and interest. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Group classifies an instrument as an equity instrument if it evidences a residual interest in the assets of the Group after the deduction of liabilities.

1. Group and company accounting policies cont.

Investments in subsidiary companies

The carrying cost of the Company's investments in subsidiary companies is reviewed at each balances sheet date by reference to the income that is projected to arise therefrom. At present, there are no income streams projected. Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Basis of consolidation

Basis for preparation of consolidated financial statements:

i. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee. Specifically, the company controls an investee if, and only if the company has the following:

   - Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
   - Exposure of rights, to variable returns from its involvement with the investee; and
   - The ability to use its power over the investee to affect its returns.

   The Group and Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

ii. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

iii. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

iv. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity

v. When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Staff Costs

	Period from 17 August 2015 to 31 December 2016 £
Wages and salaries	2,172,948
Social security costs	278,661
	2,451,609

The analysis above includes staff costs in relation to Executive and Non-Executive Directors.

The average number of employees of the Group during the period was as follows:

Executive	5
Legal & Regulatory	1
Risk	1
Programme Management	3
Sales	2
Finance & Treasury	1
Technology	12
HR & Admin	1
	26

The total number of employees at the end of 2016 was 32.

3. Disclosure of Key Management Personnel and Director's Emoluments

Key management personnel	Period from 17 August 2015 to 31 December 2016 £
Wages and salaries	717,331
Social security costs	94,793
	812,124

Key management personnel are defined as those on the Executive Committee, excluding any Directors, for whom amounts have been separately disclosed below:

Directors' emoluments	Period from 17 August 2015 to 31 December 2016 £
Wages and salaries	836,332
Social security costs	107,448
	943,780

Highest paid director	Period from 17 August 2015 to 31 December 2016 £
Wages and salaries	305,894
Social security costs	39,436
	345,330

4. Operating Expenses

	Period from 17 August 2015 to 31 December 2016 £
Administrative expenses	2,914,045
IT costs	148,768
IT Contractor costs	36,380
Marketing	8,794
Auditors' remuneration	73,695
	3,181,682

During the period, the following fees were paid to the Group's Statutory Auditors:

	Period from 17 August 2015 to 31 December 2016 £
Fees payable to the auditors for the audit of the financial statements	14,000
Fees payable to the auditors for other services	59,695
	73,695

5. Depreciation and Amortisation

	Period from 17 August 2015 to 31 December 2016 £
Amortisation of intangible assets	19,403
Depreciation of property, plant and equipment	63,392
	82,795

6. Taxation

	Period from 17 August 2015 to 31 December 2016 £
Loss on ordinary activities before taxation	5,775,189
Standard rate of corporation tax	**20%**
Loss at the standard rate of UK corporation tax	(1,155,038)
Expenses not allowable	340,534
Depreciation	14,506
Research and development tax credits	123,903
Loss carried forward	799,998
Total taxation credit	**123,903**

During the year, the Group received a tax credit for £123,903 relating to research and development tax activities undertaken by Tapsley Ltd.

Deferred Tax Assets

At 31 December 2016 the Company had taxable losses of £3,999,991 available to offset against future taxable profits. A deferred tax asset is recognised only in the event that the Directors consider it probable that sufficient future taxable profits will be generated to utilise the available losses. Given the lack of certainty relating to future taxable profits, the Directors have concluded that it is not appropriate to recognise a deferred tax asset at 31 December 2016. Based on the expected tax rate during the period where the deferred tax asset is likely to be realised, the value of the deferred tax asset at 31 December 2016 would be £719,998 were it to be recognised.

7. Cash and Cash Equivalents

	31 December 2016 £ Group	31 December 2016 £ Company
Cash at bank and in hand	18,474,735	18,452,437
	18,474,735	**18,452,437**

8. Financial Investments

	31 December 2016 £ Group	31 December 2016 £ Company
Securities held	105	105
	105	**105**

9. Other Assets

	31 December 2016 £ Group	31 December 2016 £ Company
Other Debtors	52,470	1,934
Employee Trust Loan	500	500
Prepayments	136,784	136,784
Employee Loan	43,010	43,010
VAT	254,997	255,136
Balance owed by subsidiaries	-	391,193
Total receivables	**487,761**	**828,557**

All amounts are short-term receivables. The carrying amount of other receivables approximates fair value.

10. Property, Plant & Equipment

GROUP	Computer Equipment £	Office Equipment £	Total £
Cost			
At 17 August 2015	-	-	-
Acquisition through business combinations	3,276	-	3,276
Additions	990,810	812	991,622
At 31 December 2016	**994,086**	**812**	**994,898**
Depreciation			
At 17 August 2015	-	-	-
Charge for the year	63,306	86	63,392
At 31 December 2016	**63,306**	**86**	**63,392**
Net Book value			
At 31 December 2016	**930,780**	**726**	**931,506**

COMPANY	Computer Equipment £	Office Equipment £	Total £
Cost			
At 17 August 2015	-	-	-
Additions	986,653	812	987,465
At 31 December 2016	**986,653**	**812**	**987,465**
Depreciation			
At 17 August 2015	-	-	-
Charge for the year	61,124	86	61,210
At 31 December 2016	**61,124**	**86**	**61,210**
Net Book value			
At 31 December 2016	**925,529**	**726**	**926,255**

11. Intangible Fixed Assets

GROUP	Computer Equipment £	Intangibles £	Goodwill £	Total £
Cost				
At 17 August 2015	-	-	-	-
Acquisition through business combinations	-	6,848	6,355	13,203
Additions	1,530,880	29,959	569,078	2,129,917
At 31 December 2016	**1,530,880**	**36,807**	**575,433**	**2,143,120**
Amortisation				
At 17 August 2015	-	-	-	
Charge for the year	11,318	8,085	-	19,403
Impairment loss	-	-	91,717	91,717
At 31 December 2016	**11,318**	**8,085**	**91,717**	**111,120**
Net Book value				
At 31 December 2016	**1,519,562**	**28,722**	**483,716**	**2,032,000**

COMPANY	Computer Equipment £	Intangibles £	Total £
Cost			
At 17 August 2015	-	-	-
Additions	1,530,880	29,959	1,560,839
At 31 December 2016	**1,530,880**	**29,959**	**1,560,839**
Depreciation			
At 17 August 2015	-	-	-
Charge for the year	11,318	1,237	12,555
At 31 December 2016	**11,318**	**1,237**	**12,555**
Net Book value			
At 31 December 2016	**1,519,562**	**28,722**	**1,548,284**

12. Other Liabilities

	31 December 2016 £ Group	31 December 2016 £ Company
Trade creditors	1,444,379	1,444,245
Taxes and social security costs	384,612	384,612
Accruals	618,484	620,739
Amount owed to other companies in the group	-	18,889
Total liabilities	**2,447,475**	**2,468,485**

All amounts are short-term payables and approximate fair value.

13. Share Capital

GROUP & COMPANY	31 December 2016 £ Number	31 December 2016 £
Issued share capital		
A Ordinary Shares of £0.00001 each	800,000	8.00
B1 Ordinary Shares of £0.00001 each	80,000	0.80
B2 ordinary Shares of £0.00001 each	120,000	1.20
C1 Ordinary Shares of £0.00001 each	80,000	0.80
C2 ordinary Shares of £0.00001 each	120,000	1.20
D Ordinary Shares of £0.00001 each	1	0
	1,200,001	**12**

Only A, B1 and B2 ordinary shares have full voting rights attached.

During the period, 1,200,001 ordinary shares of £0.00001 were issued for £25,254,215.

14. Share Premium

	31 December 2016 £ Group	31 December 2016 £ Company
Share premium issued	25,254,203	25,254,203
Expenses of issue of shares	-	-
	25,254,203	**25,254,203**

15. Capital Management

In accordance with Capital Requirements Directive IV and the Individual Capital Guidance (ICG) issued by the PRA, the Company is required to maintain appropriate levels of Capital. At the year end, the Company's Common Equity Tier 1 (CET1) Capital Resources totaled £17.4m. This CET1 Capital number is comprised of ClearBank's net equity of £19.5m, less certain capital deductions, including the £2m Intangible Asset balance.

16. Financial Instruments

The Group's financial instruments principally comprise of cash and cash equivalents, trade receivables, trade payables and loans and borrowings that arise directly from operations.

The fair value of the Group's financial assets and liabilities are not considered to be materially different from their book values.

Cash and Cash equivalents

Cash and cash equivalents consist solely of money held in current accounts at 31 December 2016.

Foreign exchange risk

Trading is mostly undertaken in GBP but where it is appropriate, the local currencies are used. Hence, the foreign currency risk exposure arises primarily from trade payables denominated in other foreign currencies.

The impact on the consolidated statement of comprehensive income from foreign currency movements was a loss of £3,626.

The impact on the company statement of comprehensive income from foreign currency movements was a loss of £3,599.

Categories of financial instruments

The table overleaf sets out the Group's classification of each of its financial assets and liabilities at 31 December 2016. All amounts are stated at their carrying value.

The fair value hierarchy categories consist of three levels, level 1 inputs are considered observable, where the valuation technique is based on quoted market price. Level 2 inputs are considered observable, where the valuation technique has other inputs included other than quoted market price. Level 3 inputs are considered unobservable, whereby the measure of fair value is not derived from observable inputs and the information is not available.

The financial instruments of the Groups assets are comprised of level 1 (Cash and Cash Equivalents and Securities) and level 3 (Receivables) assets.

The carrying value of level 3 assets at the period end is not materially different from the Fair Value.

16. Financial Instruments cont.

Financial assets	31 December 2016 £ Group	31 December 2016 £ Company
Cash and cash equivalents	18,474,735	18,452,437
Receivables measured at fair value	488,155	828,951
Financial assets that are equity instruments measured at cost less impairment	105	105
	18,962,995	**19,281,493**

Financial liabilities	31 December 2016 £ Group	31 December 2016 £ Company
Payables measured at fair value	2,447,475	2,468,485
	2,447,475	**2,468,485**

16. Financial Instruments cont.

The financial assets and liabilities of the Group comprise cash, trade payables, payables to related parties, tax recoverable and security deposits. It is the opinion of the directors that the carrying amount of these assets and liabilities approximates to fair value.

The financial assets and liabilities of the company comprise cash, trade payables, payables to related parties and tax recoverable. It is the opinion of the directors that the carrying amount of these assets and liabilities approximates to fair value.

17. List Of Subsidiaries

Group related party disclosures

Set out below is a list of material subsidiaries of the Group:

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	JURISDICTION	OWNERSHIP
CB Infrastructure Limited	Dormant	England and Wales	100%
Abele Technologies Limited	IT consultancy	England and Wales	100%
CloudZync Limited*	Software development	England and Wales	100%
Tapsley Limited*	IT service	England and Wales	100%

*Shares held by Abele Technologies Limited

18. Acquisition of Subsidiary

On 18 April 2016, the Group acquired 100% of the shares and voting interest in Abele Technologies Limited. As a result, the Group obtained control of Abele Technologies Limited and its subsidiaries.

On 15 December 2016, the Group acquired 100% of the shares and voting interest in CB Infrastructure Limited. As a result, the Group obtained control of CB Infrastructure Limited.

The consideration for the acquisition of Abele Technologies was the issuance of 26,667 fully paid A Shares in the Company, and the consideration for the acquisition of CB Infrastructure was a cash payment of £1,000.

The Group incurred acquisition-related costs on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

19. Financial Position at Date of Investment

	Financial Position at date of investment	
	Abele Technologies Limited £	CB Infrastructure Limited £
Cash and cash equivalents	24,599	-
Financial investments	-	-
Trade receivables	959	-
Other assets	32,121	1,000
Tax asset	-	-
Property, plant and equipment	3,276	-
Intangible assets	13,203	-
Customer accounts	-	-
Other liabilities	(452,757)	-
Total identifiable net assets acquired	**(378,599)**	**1,000**

Goodwill arising from the acquisition has been recognised as follows:

	Abele Technologies Limited £	CB Infrastructure Limited £
Consideration transferred	-	1,000
26,667 A Ordinary Shares	190,479	-
Less fair value of identifiable net assets	(378,599)	1,000
Goodwill	**569,078**	**-**

20. Related Party Transactions

During the year, the following transactions occurred with related parties:

Related party	Included in	2016 £
Charles Deane Limited	Consultancy services	26,665
CloudZync Limited	Operating expenses	765
Synergy Investment Management Limited	Consultancy services	52,568
Tapsley Limited	Operating expenses	124,555

At 31 December 2016 the following balances were owed by/ (due to) related parties:

Related party	2016 £
Abele Technologies Limited	391,193
CloudZync Limited	(918)
Tapsley Limited	(17,971)
	372,304

21. Ultimate Controlling Party

There is no parent undertaking or ultimate controlling party.