ClearBank Limited

2017 Annual Report

For the year ended 31 December 2017

Registration number: 09736376

Contents

Highlights

ClearBank® is the UK's first new clearing bank in more than 250 years. It has already started to deliver a greater level of open competition and transparency within the UK financial services marketplace. It is the first clearing bank in the UK to design its entire IT system around cloud technology.

2016

December 2016

- ClearBank gains Banking Licence in the UK

2017

January 2017

- Start banking our own operations
- Become a direct member of FasterPayments

February 2017

- Market Launch
- Move all operations to the Gherkin, London
- Become a direct member of MasterCard

May 2017

- Become a direct member of CHAPS and BACS

June 2017

- Testing Agreement signed with 9 prospective customers
- Become a direct member of Visa

August 2017

- Successfully complete £7M capital raise

September 2017

- Present ClearBank at Microsoft's Envision Conference, Orlando USA

October 2017

- Successfully complete £21M capital raise
- ClearBank gains PRA approval to exit mobilisation
- Launch Banking as a Service Product Platform
- Won "2017 Emerging Payments Contributor of the Year"

November 2017

- Onboard our first customers
- Headcount exceeds 100 FTE
- Won "2017 Clearing & Settlement Contributor of the Year"

December 2017

- Won "2017 Tech Leader Award"

A banking revolution has begun.

Executive Chairman's Statement

The ClearBank mission is to deliver an open and competitive marketplace utilising state of the art technology.

Our mission

In March 2017, concurrent with the launch of ClearBank, the Payment Systems Regulator ('PSR') published their progress report into payment market access and governance. In that report the PSR highlighted their key objectives, namely: enhancing market choice, reducing time to access payment systems, increasing value for money, improving quality of service and driving transparent engagement. At ClearBank, those objectives mirror exactly our own objectives.

ClearBank was conceived more than four years ago. At that time, the ClearBank team believed that a banking market revolution could only be truly unlocked with the introduction of a brand-new clearing bank; one without the challenges associated with legacy architecture and reliance on any other bank. With the launch of ClearBank in February 2017, we have started achieving that goal, driving new levels of operational efficiency, new standards of service and radically changing the competitive market dynamic for our customers, who comprise of FCA-regulated businesses and fintechs.

Our proposition

Historically many financial services businesses have been unable to provide a full financially inclusive offering to their customer base, as delivering a current account service can be both complex and expensive. Even the provision or support of some key transactional payment services was limited through complexity, 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. Our unique approach has enabled us to build a state of the art platform, free from legacy constraints and specifically designed to deliver leading services.**

The transformational banking experiences this technology delivers drives faster, more efficient and cost-effective payment transactions and market opportunities for everyone and provides the flexibility for our customers to innovate and extend their market reach. Uniquely, these benefits are delivered to our customers on a non-competitive and transparent basis.

Historically, and to a large degree today, the UK financial Services marketplace has been constrained by legacy technology platforms. The ClearBank difference has been engineering a new standard of straight through processing, removing historic batch process and associated payment delays, to deliver a new real-time transactional environment. Our approach streamlines our customer's own business proposition delivering to them integrated and automatic reconciliation, coupled to instantly available and dynamic treasury and liquidity management, with immediate commercial benefits of a variety of cost savings, automatically generated for them by ClearBank.

In conclusion

2017 has been an incredible year of delivery at ClearBank and since our launch in February, the market response has been both significant and compelling. I look forward to further achievements in 2018.

On behalf of the Board, I would like to thank all of our customers, the payment schemes and our regulators for supporting ClearBank. I would also like to acknowledge all the ClearBank team led by CEO Charles McManus for their exceptional commitment, hard work and achievement over the last year. Finally, I would like to thank the Investors and the Board for their continued support.

Nick Ogden
Executive Chairman

Nick Ogden
Executive Chairman

Chief Executive Review

Following the approval of a Banking Licence, ClearBank has spent 2017 realising its vision to launch a new clearing bank into the UK market.

A year of execution and building momentum

Following regulatory approval of ClearBank's banking licence in December 2016, it has been another exceptional year on our way to achieving the first new modern clearing bank in the UK. Through laser focus, ruthless prioritisation, extraordinary teamwork and seamless execution we achieved the removal of the remaining restrictions on our banking licence in October 2017. Shortly thereafter, in November, we launched our Banking as a Service Platform and started to onboard customers and process live transactions.

> **As highlighted on Page 3, there have been numerous unique milestones achieved during the year including becoming a direct member of all the payment schemes and the Sterling Monetary Framework at the same time.**

Similarly, we became Principal members of both Mastercard and Visa in the first half of the year to ensure we continue to build out the reach of our services. This connectivity, together with our continued build out of our Azure Cloud based technology, has created the straight through processing operating platform that is so key to our future success and that of our customers.

We have also extended our physical footprint by moving into the Gherkin in the City of London so that we can remain close to our regulated Financial Institutional customers, as well as establishing our second office in Bristol to increase our operational capability and resilience. This has also been welcomed by our expanding employee base in providing the right environment and culture to rapidly innovate and grow the business.

None of these achievements could have been possible without the incredible and sustained support of all our shareholders and in particular, Peter Kellner and John Risley. During 2017, ClearBank raised £28m in CET1 capital, which has not only been invested in the set-up of the business but has ensured we start our growth with healthy capital, liquidity and leverage strength.

Changing the market offering to our customers

Following our press launch on 28 February 2017, both Nick and I were delighted with the significant market and customer response. Indeed, this interest has continued since then and we are very grateful to those first wave of customers who helped us with beta testing last year, providing invaluable insight and feedback to fine tune and enhance the product set ahead of opening the bank for commercial volume. I'd like to take this opportunity to thank those customers for their patience, collaboration and enthusiasm and hope they enjoyed being part of the ClearBank story.

Each customer is equally important to us from the smallest e-money licence operator to the full service regulated bank. As part of our unique approach to clearing and settlement banking, we take time to understand the needs of each customer, their USP's, growth plans, aspirations, cost pressures and product requirements. In doing so, we build a deep, transparent and responsive relationship right from the outset; a relationship, which we then continue to develop and nurture, once the customer is onboard.

One such customer is Allpay Limited, the UK's largest Bill Payments collections provider and leading Prepaid Card specialist. On 28th March, 2018 we were pleased to jointly announce that Allpay Limited was partnering with ClearBank to deliver innovative "banking lite" services to the growing UK prepaid card market. Their requirement was to have access to a cloud based, purpose built, secure banking platform, providing industry leading resilience, security and scalability with access to BACS, CHAPS and Faster Payments.

We look forward to making a number of similar joint announcements with our extensive pipeline of customers in the coming months.

We are also incredibly humbled and grateful that in the past six months we have won a number of industry awards and received recognition from the community for our launch and achievements so far. None of these could have been achieved without the vision of our Executive Chairman and the brilliant work of the ClearBank team.

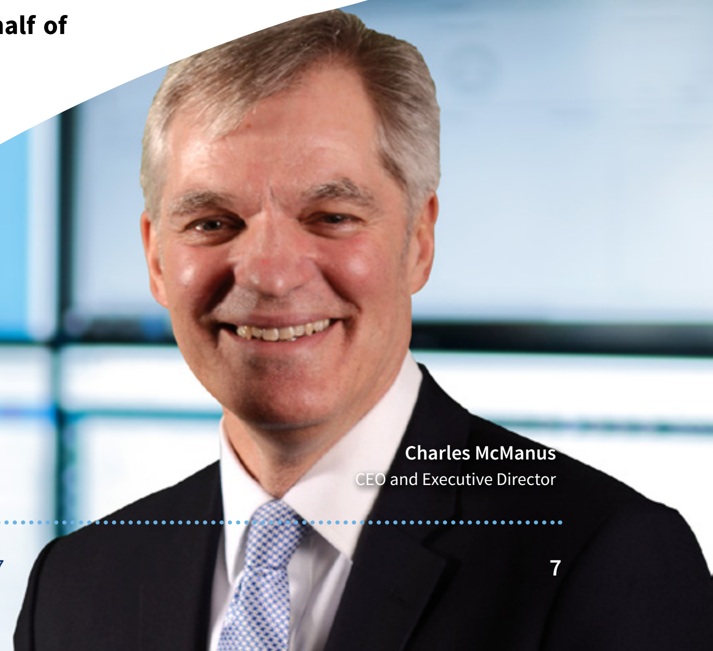
Building a world class team

By May 2017 last year, we had recruited a full "C" suite of executives representing a wide breadth and depth of financial, technical and banking expertise and industry clearing knowledge. As a result of this leadership, the Bank is now fully operational with all the major functions (Business Development, Customer Operations, IT Innovation and Security, Finance, Treasury and Human Resources) resourced and fully focused on servicing our existing customers, on boarding our significant pipeline of new business and executing ClearBank's five-year business plan. We also have established a robust, efficient and strong governance framework to ensure independent oversight and assurance is provided by the second and third lines of defence of Risk and Compliance and Internal Audit.

In concluding my review, I would like to take this opportunity to personally thank the entire ClearBank team for their incredible energy, dedication, commitment and enthusiasm, which has contributed to the successes of 2017 culminating in formally contracting with our first customer and executing live payments. I look forward with confidence to the next instalment of the ClearBank story in 2018 and to making the difference in creating competition and delivering banking transactional services the marketplace so deserves.

Approved by the Board of Directors and signed on behalf of the Board on 25 April 2018.

Charles McManus
Chief Executive Officer



Charles McManus
CEO and Executive Director

Business Review

ClearBank offers services to financially regulated businesses and Fintechs. We provide secure access to core banking solutions, payment schemes and systems, all operated within a liquidity managed current account.

Our unique services and architecture

ClearBank provides banking services to financial services providers, FCA-regulated businesses and Fintechs. In doing so, we offer the following unique benefits to our customers:

- A robust and secure banking platform backed by appropriate Service Level Agreements
- Sort code issuance and transfer
- Streamlined and cost-effective setup
- Rapid speed to market
- Competitive and simple pricing structure
- Platform enabled product innovation, extended product reach and operational cost reduction
- Banking as a Service (BaaS) and White Label service options
- Failover technology, minimising the impact of Payment Scheme failures
- Real-time data and analytics, providing insight into business activity, liquidity and assisting data collection for Regulatory reporting
- Service neutrality

ClearBank provides secure access to our own core banking solutions and connectivity to payment schemes, all operated within a liquidity-managed current account. As a member of all the UK payments schemes, we offer UK-based agency banking services and payment scheme sponsorship on an independent, neutral, non-competing and transparent basis. To benefit from these services, every customer is required to open a ClearBank Current Account, which will include access to all our payment services, electronic payment schemes. 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 using the Application Program Interface ('API'), or regulated businesses can utilise our White Label platform to deliver a complete own branded solution. The ClearBank platform is built entirely around a service based cloud architecture which enables the integration of any front-end application.

As part of this offering, regulated businesses and Fintech customers are able to rapidly deploy sort code based open market services to encourage their own client engagement.

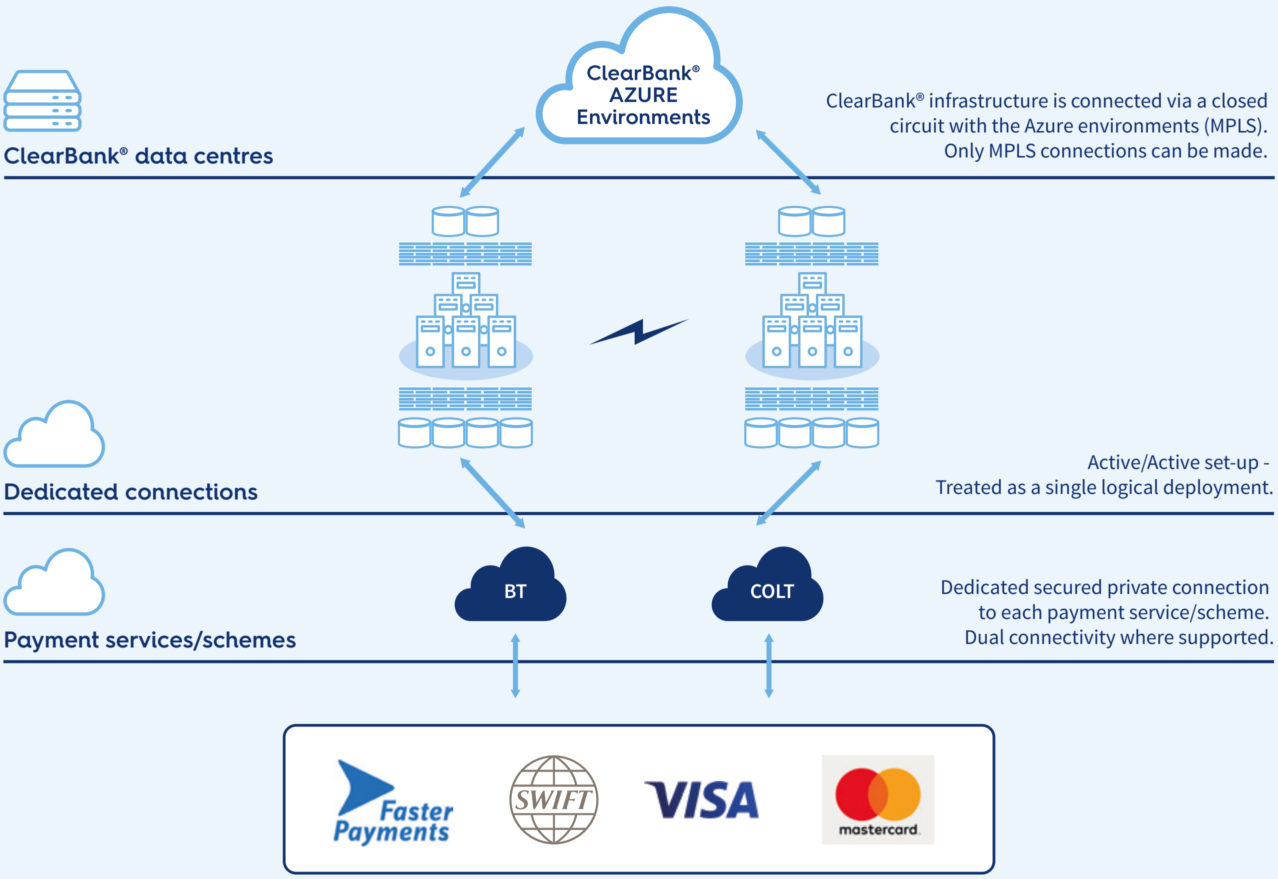
> **The ClearBank fully integrated solution matrix delivers a choice of services, speed to market and industry leading service levels. When a customer chooses the complete ClearBank offering, they will select a leading-edge technology platform that has been designed and built using the same principles as those that formed Platform as a Service (PaaS) Cloud offerings.**

In designing the ClearBank platform, a complete Services Oriented Architecture ('SOA') approach has been taken. This allows us to de-couple components into services, reducing code duplication and easing maintenance tasks. This approach helps us to remain highly agile and 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-services. Each micro-service specialises in a limited number of functions, driving enhanced cohesion, decreased coupling, faster operating speed and scalability.

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

How ClearBank works



As direct members of the Sterling Monetary Framework, Bacs, The Clearing House Automated Payment System ('CHAPS') and Faster Payments as well as Principal Members of the card schemes, we operate on a standalone basis and have no operational reliance on any other bank. We built our own technology from the ground up so we have no licence, IP, version control, integration or performance and scale issues. Our platform is designed by us to do the specific work of payments and agency banking. All this means our customers can access core payment channels to develop their business without fear of oversight from a competitor, upgrade costs or obsolescence.

Security and resilience

Our IT Platforms are designed and implemented with information security at their heart.

They are constantly under review in terms of information security risk and enhancement. Regular external reviews and penetration testing by expert teams ensure we keep abreast of developments and maintain rigorous internal standards. As part of this commitment to the highest standard, we have successfully completed the ISO 27001 certification, the leading information security benchmark.

However, security means more to us than just information security, it also includes our approach to business continuity and disaster recovery. ClearBank has adopted an Integrated Management System approach that brings information security together with business continuity in a single framework. Again, in support of this high benchmark, we have also completed the ISO 22301 certification for continuity.

> **Our bank is designed to be highly resilient. We have multiple operational sites, an active-active architecture and multiple diverse telecoms routing.**

Use of cash held

Our Financial Institution cash is held within our Bank of England Primary Reserve Account and Bank of England Reserve Collateral Accounts - and nowhere else. This cash is held on behalf of our FI customers and not packaged, leveraged or used for any other purpose.

Clear and transparent

ClearBank's approach to payments is clear and transparent. Our customers appreciate the fact that they can see the exact status of their account balances and incoming and outgoing payments in real time, with a user experience that is as close as possible to the experience of a direct member of the scheme.

We operate in an ISO 20022 world, meaning that we are already based on the standard that will eventually become the norm for all payment processing – leading the way to drive superior connectivity.

Our approach to pricing removes complicated pricing tariffs replacing them with a simple, clear and concise pricing construct. This is supported by a single standard definitive legal agreement to cover our services, setting out clearly our customer's rights and responsibilities.

Financial Review

The Board has set a comprehensive Risk Appetite, driving inherently stable capital and liquidity strength and supporting sustainable profitability.

2017 financial and non-financial performance indicators

As the bank opened to customers in October 2017 subsequent trading for the rest of the year was limited to initial onboarding through November and December. As a result, the directors do not consider a full suite of financial and non-financial KPI's to be relevant for the 2017 Annual Report. For the same reason, KPI's trend analysis is also not considered relevant.

The directors consider a more limited set of KPI's to be appropriate, as per the table below.

		As at 31st December 2017
Capital	Common Equity Tier 1 Ratio	53%
	UK Leverage Ratio	84%
Liquidity	Liquidity Coverage Ratio	3,718%
	Net Stable Funding Ratio	878%
	High Quality Liquid Assets as % of Total Gross Assets	68%

Rowena Tomes
Financial Accounting Manager

People and Culture

Since our inception, our people have been at the heart of our success. Their talent, skills, commitment and innovation create our business and the experience we strive to deliver for our customers and the broader community.

Delivering for our employees

We aim to provide an environment which creates exceptional levels of customer service and market leading regulatory compliance. Our values & behaviours sit firmly at the centre of this culture.

Benjamin Solanke
Credit Risk Underwriter

Prerna Goel
Head of Operations

Our ClearBank values & behaviours

Encouraging everybody

Active collaboration and listening

Looking after and respecting each other

Driving innovation wherever it creates leadership and value

Role modelling integrity in all of our systems and decisions

Being accountable each day for delivering these values to our customers and all other stakeholders

David Unsdorfer
FI Business Development

Salman Rashid
Lead Technical Author

Jonathan Turner
Senior Project Manager

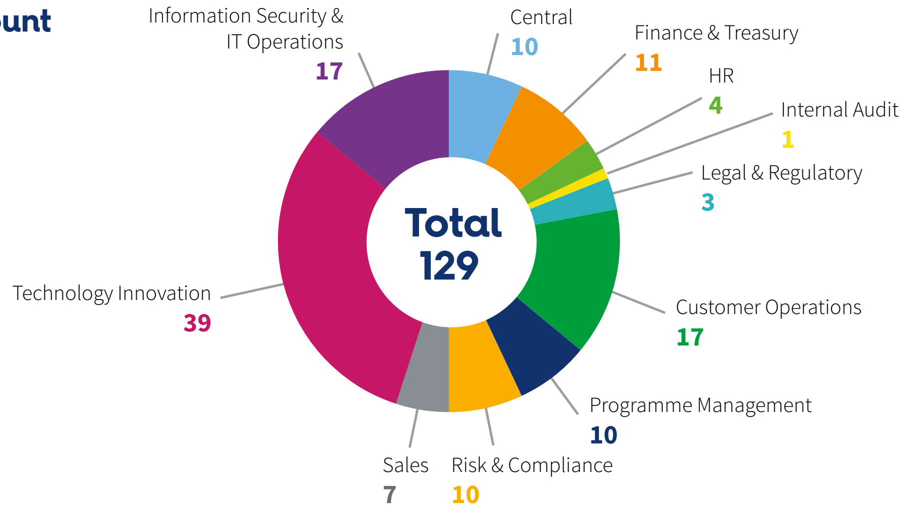
Building our team

From a core team of 32 employees at the beginning of the year, the team grew to 129 employees by year end, of which over 50% each brought more than 10 years relevant industry experience to the business.

As we grew we established our Headquarters within the heart of the city at the iconic Gherkin offices, alongside establishing a support centre within the vibrant city of Bristol.

We also stayed true to our technology roots – ensuring agile working methodology, innovative approaches and efficient delivery across all areas of the bank.

Headcount



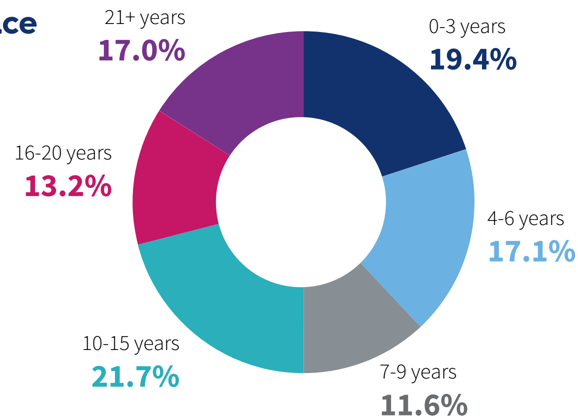
Building transparency & recognition

During the year we introduced weekly 'Meet-Ups' celebrating the achievement of company milestones, recognising exceptional contributions and providing the opportunity for regular and informal all staff updates.

We also harmonised the terms, conditions and contracts of employment to ensure transparent and consistent standards and policies for our people, alongside developing an internal communications channel, brand and language – to drive our culture and core messages across the platform.

Additionally, we delivered a suite of market competitive pension and benefits programs providing security for our employees and their families, whilst future proofing our capability to continue to attract and retain the calibre of individuals critical to our on-going success.

Years of experience



The ClearBank performing people framework

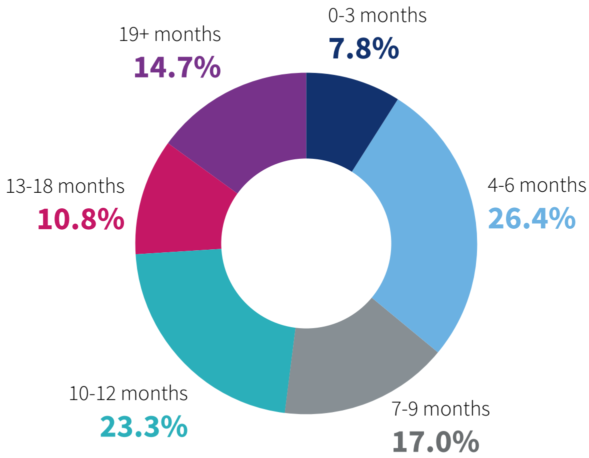
To support our belief that high levels of performance are driven through regular, agile and dynamic discussions between managers and employees, the 'Performing People Framework' was introduced across the bank aiming to drive constructive and authentic conversations which support our employees performing to the best of their abilities within our fast paced environment.

Building capability

Reflecting our commitment to employee development and regulatory compliance, we have introduced an online training curriculum. This provides quarterly regulatory curriculum and development content, maintaining education and awareness of appropriate standards and requirements.

Finally, we established a Leaders Community, alongside an interactive leadership curriculum, to ensure we establish and maintain best practice and an exceptional employee experience at all levels of the business.

Length of service



Eleanor Buchanan
HR Advisor

Risk Management

Effective risk management is strategically important for the bank. A robust approach to risk management enables the bank to methodically address risks and increase the probability of success.

At ClearBank we have adopted best in class risk management practices and controls. In these formative years of building the bank, we have also made sure that the controls are proportionate and suitable for us as well as for our customers. Risk-taking is an inherent part of banking and 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 risks and uncertainties.

The Board is ultimately responsible for setting the bank's risk appetite and strategy. The Board dispenses this responsibility through the Board Risk Committee ('BRC') which in turn is informed by its sub-committees including the Executive Risk Committee ('ERC'). The BRC's responsibilities include the development and maintenance of the bank's risk management framework, ensuring that its strategy, principles, policies and resources are aligned to the bank's risk appetite, as well as to regulatory and industry best practices. The BRC also monitors and reviews the formal arrangements established by the Board in respect of internal controls and reviews the effectiveness of the bank's systems for risk management and compliance with financial services legislation and regulatory requirements. The BRC is chaired by Graeme Smith and the senior management executive directly responsible for risk management across the bank is the Chief Risk and Compliance Officer ('CRCO') Simon Fidler. The CRCO is also the chair of the Credit Committee, Conduct and Operational Risk Committee and the Executive Risk Committee.

The CRCO leads the Risk function within the bank and is independent from the bank's operational and commercial functions. The CRCO is responsible for ensuring that appropriate risk management processes, policies and controls are in place and that they are proportionate and sufficiently robust. The CRCO also ensures that key risks are identified, assessed, monitored and mitigated effectively and swiftly. The CRCO is responsible for providing assurance to the Board that the principal risks are appropriately managed and that we are operating within our risk appetite.

> **The bank has a documented Risk Management Framework ('RMF') which explains how risks are identified and managed within a defined risk appetite.**

The RMF is supported by having appropriate policies, procedures, governance, systems and controls in place to enable effective risk management at the bank. The Risk team regularly reviews these policies and controls to verify compliance and to reflect changes in market conditions and the bank's activities. We use training, management standards and procedures to develop a robust and effective control environment – one where all colleagues understand their roles and obligations.

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

Risk Management Framework (RMF)

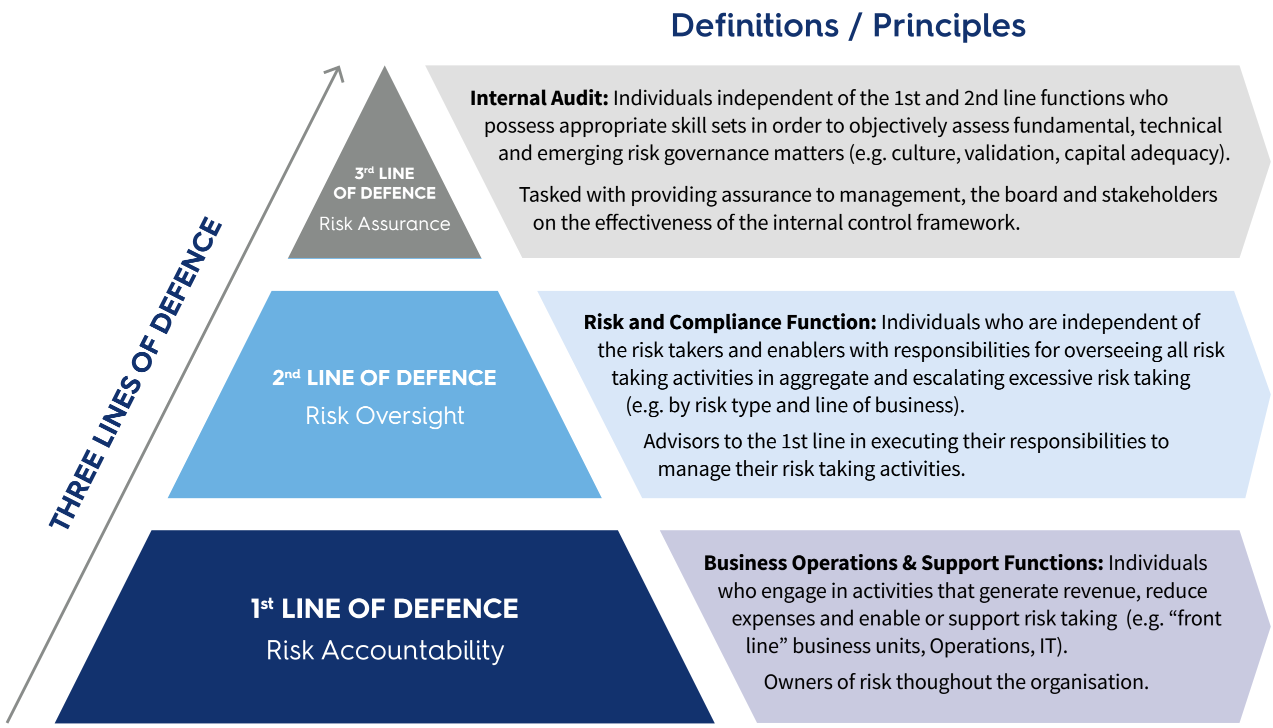
The RMF has three core components:

1. **Risk strategy:** This articulates the strategic risks the bank faces and sets how much risk the bank wants to take in achieving its commercial objectives responsibly (risk appetite). It also includes risk culture embedded across the bank.
2. **Risk governance:** This outlines the communication, escalation and decision-making approach the bank takes to ensure that we are operating within the Risk appetite. The 'Three Lines of Defence' sits at the core of the Risk governance.
3. **Risk management policies and processes:** These are the processes and protocols which define the risk management activities, policies and procedures undertaken by the business and includes the assessment and measurement of risk.

The RMF is reviewed and approved by the Board annually following a recommendation by the BRC. The CEO and the CRCO ensure that business objectives and practices are fully aligned with the RMF. The senior executive and managers of the bank ensure that the RMF is embedded in its day-to-day management and control activities. The RMF is subject to assurance reviews undertaken by Internal Audit and these are made available to external stakeholders as and when required.

The three lines of defence

The Risk Management Framework is implemented across the bank using the 'Three Lines of Defence' model at its core. This model eliminates conflict of interest within the bank and drives the right behaviours by defining clear delineation of responsibilities across the bank.



1st line of defence (risk accountability) - business operations and support functions:

The first line manages the risks in the business within agreed risk tolerances or limits. They identify, measure, monitor and control risks within each functional area, report and escalate issues.

The first line implements and adheres to the mandates, policies and processes that are part of the control environment.

The 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 these risks.

2nd line of defence (risk oversight) - risk and compliance function

The Risk and Compliance function provides risk oversight across the bank. The function operates independently to monitor and assess the adequacy and effectiveness of the measures, policies and procedures put in place by the bank in relation to its regulatory requirements and advices the Board in relation to those matters.

The function supports a structured approach to risk management as outlined in the RMF.

The Board and the Board Risk Committee receive detailed risk oversight reporting at each meeting, as well as information about regulatory developments and their likely impact on the business of the bank.

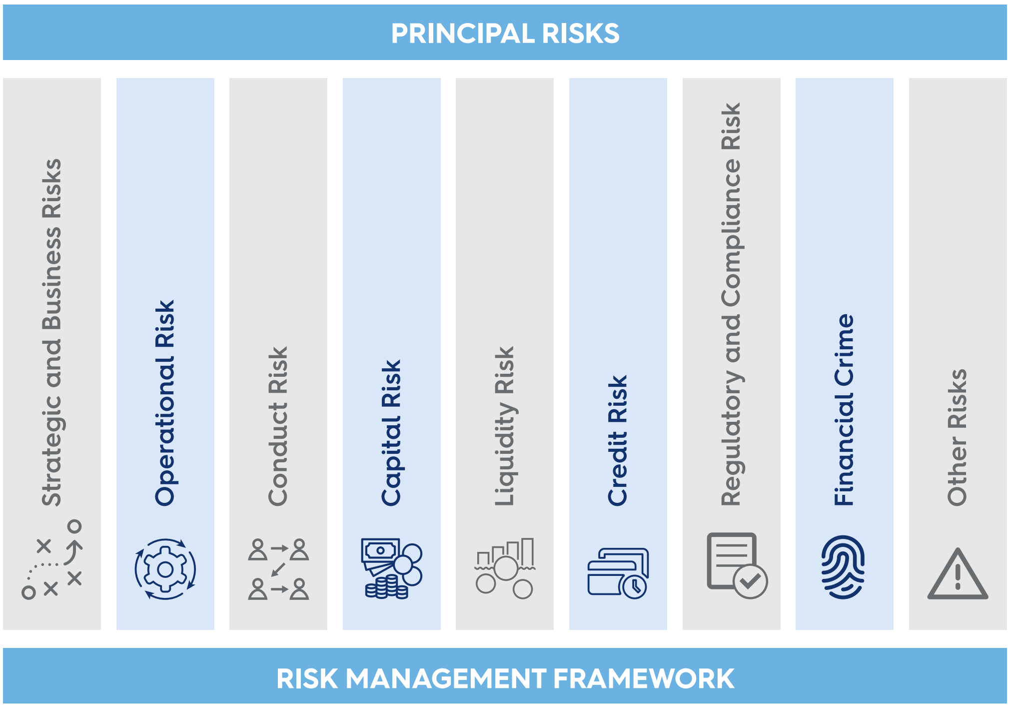
3rd line of defence (risk assurance) - internal audit

Reporting to the Board via the Audit Committee, the Internal Audit function provides independent assurance that controls are operating effectively. Internal Audit has an annual plan which reviews the business according to risk priorities.

All three lines of defence are responsible for supporting and developing a culture of risk awareness across the bank.

Principal risks

The bank's risk management framework is designed to mitigate and control the following principal risks:



Strategic & business risks

Strategic and Business Risks are the risks that can affect the bank's ability to achieve its corporate and strategic objectives- both short or long term.

Given the broad nature of these risks, they will include and be influenced by the other principal risks noted below. Considering risks at this level is important as it provides a holistic perspective on risk and includes external factors to the bank. Such risks will include changes to the external operating environment, competition and the regulatory landscape.

Operational risk

Operational Risk is the risk of financial or non-financial loss such as customer detriment or reputational damage resulting from inadequate or failed internal processes, people and systems.

Given the nature of the bank's focus on transactional banking services, maintaining secure and reliable systems connectivity to the various payment schemes is essential.

The bank continues to develop and invest in systems and controls to mitigate all operational risks, supported by the oversight of experienced staff. All the risks and incidents, no matter how insignificant, are documented in centralised repositories and reviewed.

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 mitigating this risk, including a product approval governance structure.

Capital risk

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

Since authorisation in December 2016, the bank has maintained regulatory capital in excess of the level set by the PRA as part of our Individual Capital Guidance ('ICG'). The capital position of the bank is monitored monthly by Asset and Liability Committee ('ALCO') and reported monthly to the Executive Risk Committee ('ERC') and Board Risk Committee ('BRC').

Composition of regulatory capital of the Bank.

	As at 31st December 2017 £'000
Share Capital	-
Share Premium	53,254
Share Based Payment Reserve	467
Retained Losses	(20,143)
Total Balance Sheet Equity	**33,578**
Deductions:	
Deferred Tax	(3,652)
Intangible Assets	(6,245)
Total	**(9,897)**
Common Equity Tier 1 (CET1) Capital	**23,681**
CET1 Capital Ratio	**53%**

Leverage ratio

CRD IV requires firms to calculate a non-risk weighted leverage ratio. The leverage ratio measures the relationship between capital resources and total assets. The leverage ratio is calculated based on the bank's capital divided by exposures which are defined as the total of on and off-balance sheet exposures less any deductions applied to Tier 1 capital.

As at 31 December 2017, the bank's UK Leverage Ratio was 84%.

	2017 £'000
Total Regulatory Capital	23,681
Total Risk Exposure	28,160
UK Leverage Ratio	**84%**

Liquidity risk and funding risks

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. Limits for the level, type and maturity of liquidity and deposit funding balances are set by BRC. Independently, the Finance, Treasury and Risk departments monitor compliance with these limits.

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 in accordance with agreed terms.

Currently, the bank has not started lending to customers and hence has no direct credit exposure.

ClearBank carries theoretical counterparty credit risk through our cash and liquid asset placement activity as a means of managing our surplus liquidity. However, the bank only places funds with the Bank of England or invests in government instruments.

The bank has elected to adopt the Standardised Approach ('SA') to credit risk. Under the SA, the bank applies a risk weighted asset value to each of its exposure classes and provides 8% of that risk weighted value as the minimum capital requirement for credit risk under Pillar 1.

The table below shows the bank's credit risk exposure by asset and exposure class at 31 December 2017.

Asset Class	Exposure Class	Exposure £'000	Risk Weighted Asset £'000
Cash and cash equivalents	Central Banks	27,005	-
Other Assets	Central Governments	233	-
Collateral	Other Items	315	158
Other Assets	Other Items	2,208	2,208
Total		**29,761**	**2,366**

Regulatory & compliance risk

Regulatory and compliance risk covers 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, but also within European law adopted and supported by UK regulators. In addition, the bank also complies with United Nations sanctions obligations and other internationally focused regulations where applicable. This context does not in itself create any material or specific risks for the bank however, non-adherence or breach of such laws and regulations could have significant negative impact.

To ensure that the bank is aware of both current and upcoming legal or regulatory changes the bank allocates the responsibility for monitoring changes to the Legal Counsel and Compliance functions. This latter function is within the second-line of defence, reporting to the CRCO. Reporting forthcoming changes to regulation or law is routinely made to a number of management committees and to the Board, for both communication and for subsequent actions to be taken by senior management.

Financial crime

The bank has designed and adopted policies and procedures to detect and prevent the use of its banking facilities being used for money laundering, terrorist financing, bribery, fraud, and activities prohibited by legal and regulatory sanctions. The bank regularly reviews and assesses these policies to keep them current, effective, and consistent. As well as compliance with all relevant Financial Crime legislation and regulation, specific attention has been applied to the 4th EU Money Laundering Directive and the Money Laundering Regulations 2017. The bank continues to ensure that industry guidance including from the Joint Money Lending Steering Group, HM Treasury, and the Financial Action Task Force are reviewed and actioned accordingly. The bank endeavours to be industry leaders in the use of technology designed to predict, prevent, and detect Financial Crime, including the use of machine learning and artificial intelligence.

Other risks - market and interest rate risk

Market Risk is the risk of financial impact from movements in market prices on the value of assets and liabilities. 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.

Given the bank structure and products currently offered, the bank has negligible exposure to these risks.

Emerging risks, uncertainties and mitigants

Apart from the above principal risks, the Board has identified emerging risks that have the potential to adversely impact our activities and business plans.

Cyber security risk

Cyber security risk relates to the protection of information systems and the unauthorised access, harm or misuse of hardware, software and their data.

ClearBank addresses this risk in a number of ways. First and foremost our core banking system is built with security in mind using the approach of 'assume breach' - thus ensuring that response and recovery services are part of the design objective and that any interruptions do not cause our customers detrimental impact. Secondly, ClearBank sets strong policies, processes and controls in line with industry best practice (International Standards Organisation ('ISO') & National Institute of Standards and Technology ('NIST')), which are regularly assessed and evaluated. Ongoing system monitoring and staff training are also part of our day to day activities. Finally, we partner with major suppliers to ensure we leverage world-class knowledge and functionality to ensure ClearBank's environment continues to be best in class, including cyber security and resilience capabilities.

IT resilience risk

IT resilience risk is the risk that service levels to our customers fall below agreed standards due to the banks' IT infrastructure failure or due to the failure of key suppliers.

ClearBank's IT infrastructure has been designed to mitigate this from the ground up. We have built real time monitoring of payment schemes availability and our own system performance, with inbuilt triggers and alarms providing push notification.

Riddhi Patel
Financial Planning and Analysis Manager

Financial crime risk

Financial crime risk is the risk of failure to protect against money laundering, terrorist financing, or fraud.

ClearBank has built strict and effective controls to mitigate against all facets of financial crime. We have a dedicated financial crime team who ensure the resilience of the controls they have embedded across the bank for financial crime mitigation. We have also partnered with financial crime system providers to help build and design our detection and prevention infrastructure to ensure market leading technology and industry best practices.

Regulatory breach

Regulatory breach is the risk that the bank fails to comply with applicable regulations or legal requirements, which could impact the bank's performance, liquidity, capital, and reputation.

The bank takes its regulatory obligations and compliance extremely seriously. Real time liquidity and capital dashboard metrics are reviewed throughout the working day via an experienced Treasury Team. Regulatory reporting, managed by an experienced Regulatory Reporting Manager, is subject to full reconciliation and supervisory oversight. Major regulatory reporting submissions such as Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') are also quality assured by third party financial services professional staff.

Geopolitical risk / Brexit

Although Brexit itself is outside bank control, we remain vigilant to mitigate against the effects of leaving the EU. The Board have reviewed potential impacts which could be a combination of threats and opportunities and continue to monitor as part of ongoing tactical and strategic management.

Philip Cooper
Head of Operational Risk

Ken Ellis
Head of Regulatory Reporting

Corporate Governance

The Board recognises that exemplary standards of Corporate Governance throughout the bank are essential for the delivery of the bank's strategic objectives, regulatory compliance and stakeholder value.

It is recognised that good governance should emanate from the Board but disseminate through the entire organisation, being reflected in its culture, committees, policies and procedures.

As a non-listed entity, ClearBank is not required to apply the principles set out in the UK Corporate Governance Code (published April 2016) (the "Code"), however, the bank uses the Code as guidance for its corporate governance where ever practicable and appropriate, having regard to its ownership structure, size and scope of operations.

Meet the Board

Nick Ogden

Executive Chairman

An entrepreneur with over 30 years' experience in banking, payments and fintech, Nick Ogden is the founder of ClearBank and its Executive Chairman.

Charles McManus

CEO and Executive Director

An experienced international banking professional with over 30 years' experience in global investment banking, wealth management and retail banking, Charles McManus is ClearBank's Chief Executive Officer & Executive Director.

Marc Jenkins

CFO and Executive Director

A finance professional with over 25 years' experience in financial services including payments, retail banking, business banking and corporate banking, Marc Jenkins is ClearBank's Chief Finance Officer & Executive Director.

Meet the Board

Shonaid Jemmett-Page

Senior Independent Director and Chair of the Audit Committee

An experienced finance professional, Shonaid Jemmett-Page is ClearBank's Senior Independent Director and Chair of the Board Audit, Remuneration and Nominations Committees.

Phil Kenworthy

Independent Non-Executive Director

With over 20 years' senior executive experience in the Payments and Settlement Industry, Phil Kenworthy sits on ClearBank's Board as an Independent Non-Executive Director.

Graeme Smith

Independent Non-Executive Director and Chair of Risk Committee

An experienced senior retail and commercial banker with more than 35 years' experience, Graeme Smith is ClearBank's Independent Non-Executive Director and Chair of the Board Risk Committee.

Stan Spavold

Investor Director

A corporate finance executive with 35 years' experience in senior financial services roles, Stan Spavold is one of ClearBank's Investor Directors.

Mel Carvill

Investor Director

A finance professional with many years' experience as a director of financial services companies, Mel Carvill is one of ClearBank's Investor Directors.

Full Biographies for each director can be found on the ClearBank website.

Board function

The Board is responsible for the promotion of the long-term sustainable success of the bank. In formulating, reviewing and approving the bank's strategy and risk appetite, the Board is cognisant not only of ClearBank's regulatory obligations but also of its obligations to all stakeholders, including customers, suppliers and employees.

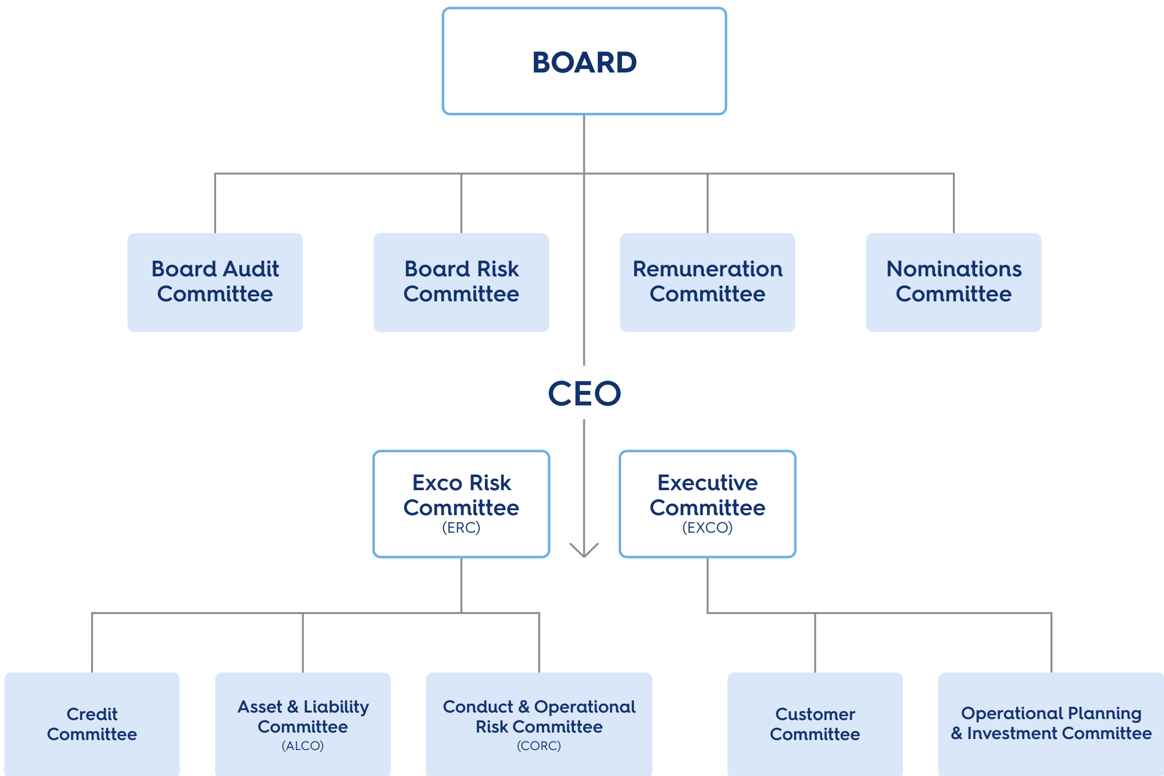
The Board has responsibility to maintain a system of internal controls, which provide assurance of effective and efficient operations, internal financial controls and compliance with all applicable laws and regulations. Additionally, the Board is responsible for ensuring that the executive maintain an effective risk management and oversight process across the bank to enable delivery of the strategy and business performance within the approved risk appetite and risk control framework.

The Board's terms of reference include a formal schedule of matters specifically reserved for the Board's decision, which is reviewed at least annually

Board & Committee structure

Board Committees

As further detailed in the paragraphs that follow and as illustrated in the diagram below, to provide effective oversight and leadership, the Board has established a number of Board Committees at which certain matters might be considered at a more detailed level by suitably experienced directors and, where appropriate, recommendations made to the Board as a whole for decision. The Board receives updates verbally from the Board Committee Chairs as standing agenda items at each of its meetings and all directors are able to access and review the respective Committee meeting minutes.



Board Audit Committee ('BAC')

The Board Audit Committee's responsibilities include the monitoring of the integrity of the bank's financial statements and the involvement of the External Auditors in that process, as well as reviewing the bank's internal control and risk management systems. In particular, it focuses on compliance with accounting policies and accounting estimates and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board. The BAC is chaired by Shonaid Jemmett-Page.

Board Risk Committee ('BRC')

The Board Risk Committee responsibilities include the development and maintenance of the bank's risk management framework, ensuring that its strategy, principles, policies and resources are aligned to the bank's risk appetite, as well as to regulatory and industry best practices. The BRC also monitors and reviews the formal arrangements established by the Board in respect of internal controls and the risk management framework and reviews the effectiveness of the bank's systems for risk management and compliance with financial services legislation and regulatory requirements. The BRC is chaired by Graeme Smith.

Remuneration Committee ('RemCo')

The Remuneration Committee's main responsibilities include agreeing the framework and policy for remuneration, terms of employment and any changes, including service contracts, remuneration, pension arrangements, bonus awards and participation incentive and benefit plans available to employees. The Remuneration Committee is chaired by Shonaid Jemmett-Page.

Nominations Committee ('NomCo')

The Nominations Committee responsibilities include the review of the structure, size and composition (including the knowledge and experience) of the Board and consideration of succession planning for directors and senior executives. The Nominations Committee is responsible for identifying and nominating for Board approval candidates to fill vacancies as and when they arise on the Board, as well the memberships of the Board committees. The Nomination Committee met only once in December 2017. As a result, a separate report has not been prepared for inclusion in the Governance Section. The Nominations Committee is chaired by Shonaid Jemmett-Page.

Executive Committees

The Board is supported by the two executive committees: The Executive Committee (ExCo) and The Executive Risk Committee (ERC). Each Committee meets on an at least monthly basis and then reports up to the Board, with each Executive also responsible for compiling departmental reports to the Board Risk Committee (BRC) and Board Audit Committee (BAC).

Executive Committee ('ExCo')

The purpose of the Executive Committee is to assist the Chief Executive Officer in the performance of his duties, including the development and implementation of strategy, operational plans and budgets.

Executive Risk Committee ('ERC')

The purpose of the Executive Risk Committee is to monitor the bank's risk management framework, adherence to risk appetite and control of principal risks. The ERC acts as the point of escalation for the executive risk sub-committees.

Directors' roles and processes

Directors

During this reporting period ClearBank strengthened its Board of Directors with the appointment of a third Independent Non-Executive Director, Phil Kenworthy, enhancing the Board with further IT and Payments experience. The Board is currently made up of eight directors, being the Executive Chairman, two Executive Directors, three Independent Non-Executive Directors and two Investor Directors. The Executive Chairman does not maintain a casting vote and all matters taken to the Board must first have the approval of the Senior Independent Director.

Board meetings

A month by month annual governance calendar is maintained to ensure that all relevant matters are considered at appropriate times in the financial and regulatory cycle. Fifteen board meetings were held during 2017. The table below shows each directors' attendance at Board and Board Committee meetings held in the year.

2017 Board and committee attendance at meetings

Attendance	Board	Board Risk Committee	Board Audit Committee	Remuneration Committee	Nominations Committee
Nick Ogden	15/15	-	-	-	-
Shonaid Jemmett-Page	15/15	14/14	14/14	6/6	1/1
Graeme Smith	15/15	14/14	14/14	6/6	1/1
Phil Kenworthy[1]	8/8	7/7	7/7	4/4	1/1
Mel Carvill	10/15	-	-	-	-
Stan Spavold	12/15	-	-	-	-
Charles McManus	15/15	-	-	-	-
Marc Jenkins[2]	15/15	-	-	-	-

Notes: [1] Appointed on 29 June 2017 [2] Appointed on 26 January 2017

Board & committee evaluation

The Board decided that there would be no formal Board or Committee evaluation in 2017 but that an internal board evaluation process would be carried out during Q2 2018.

Approved by the Board of Directors and signed on behalf of the Board on 25 April 2018.

CAMcManus

Charles McManus
Chief Executive Officer

Board Audit Committee Report

The Board Audit Committee represents a key element of bank corporate governance, monitoring the integrity of the financial statements, effectiveness of internal controls, internal audit and external audit.

Membership & meetings

The Board Audit Committee's ('BAC') membership is made up of the three independent Non-Executive Directors; Jemmett-Page (who chairs the Committee); Phil Kenworthy and Graeme Smith.

Although only members are entitled to attend, standing invitations are extended to the Investor Directors and the Executive Chairman and the Chief Executive Officer. In addition, the Chief Finance Officer, the Chief Internal Auditor, the Chief Risk and Compliance Officer and the External Auditors are regular attendees.

To fulfil its duties in the early stage of the bank's development in 2017, the BAC met on at least a monthly basis, with ad hoc meetings in addition to these, taking the total meetings held in the year to 14.

The experience of committee members

All of the Committee's members who served during the year are considered by the Board to be appropriately experienced and qualified to fulfil their duties. Committee members attend training seminars on relevant topics during the year and updates are provided by the Company Secretary on relevant governance matters.

The role and key responsibilities of the BAC - overview

Financial reporting

- To review and challenge management actions and judgements in relation to the financial statements, prior to seeking Board approval and audit clearance
- To review critical accounting policies and practices and decisions requiring a significant element of judgement, the clarity of disclosures in the accounts; the going concern assumption and compliance with accounting standards, legal requirements and regulation
- To review the bank's procedures for detecting fraud, whistle blowing instances and potential or real conflicts of interest
- To review management's and the Chief Internal Auditor's reports on the effectiveness of the internal financial controls, financial reporting and risk management and monitor the integrity of these controls
- To review the statement in the annual report and accounts on the bank's internal controls and risk management framework and to assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks
- To review and challenge the Annual Report and advise the Board as to its fairness, balance and understandability.

Internal audit

- To review the internal audit programme and to receive and review the Chief Internal Auditor's Report on the results of their work on a periodic basis
- To ensure that the Chief Internal Auditor has direct access to the Board Audit Committee Chairman and the BAC and is accountable to the BAC
- To monitor and assess the role and effectiveness of the internal audit function in the overall context of the bank's risk management systems

External audit

- To oversee the bank's relationship with the external auditor and to approve the terms of engagement and their remuneration in respect of the services provided
- To discuss with the external auditor, before the audit commences, the nature and scope of the audit; and after the audit to review the findings of their work, including any major issues that arose during the course of the audit and which have subsequently been resolved or remain unresolved
- To develop and recommend to the Board the bank's policy in relation to the provision of non-audit services by the auditor and ensure that the provision of such services does not impair the external auditors' independence or objectivity

Key topics discussed by the committee in 2017

During the year the following topics were considered and approved:

- The Annual Audit Programme and timetable
- The Statutory Accounts of the Group and its subsidiaries;
- The establishment of the Key Judgement Forum and regular review of items raised which have included:
    - VAT Recoverability Rate
    - Capitalisation of Internally Developed Computer Software
    - Accounting Treatment for Employee Benefits
    - Non-utilised Holiday Pay Provision
    - IFRS 9 Provisioning Policy
- Review of monthly Finance and Performance Review Report
- Review of monthly Internal Audit Report
- Review and approval of Annual Budget and Five Year Business Plan
- Review of Functional Heads' Reports as to Operational and Commercial Readiness prior to UK regulators decision to exit mobilisation

The BAC has reviewed the account policies, key accounting judgements and internal financial controls during 2017. The BAC has also reviewed the content of the 2017 Annual Report and when taken as a whole, the Committee has advised the Board that it considers the report to be fair and balanced, providing the information necessary to assess the bank's performance, business model and strategy.

Shonaid Jemmett-Page
Chairman of Board Audit Committee
Senior Independent Director

Tobi Popoola
Business Analyst

Board Risk Committee Report

The Board Risk Committee is responsible for providing oversight and advice to the Board with respect to current and potential risks. It is also key to promoting a risk aware culture throughout the bank

Membership & meetings

The Board Risk Committee's (BRC's) membership is made up of the three Independent Non-Executive Directors: Graeme Smith (who chairs the Committee), Shonaid Jemmett-Page and Phil Kenworthy. Although only members are entitled to attend, standing invitations are extended to the two Investor Directors, Executive Chairman, Chief Executive Officer, Chief Finance Officer and the Chief Risk and Compliance Officer. The Chief Governance and Legal Officers are also regular attendees.

In order to fulfil its duties during the early stage of the bank's development in 2017, the BRC met on at least a monthly basis, with ad hoc meetings in addition to these, taking the total meetings held in the year to 14.

The experience of the committee's members

All of the Committee's members who served during the year are considered by the Board to be appropriately experienced and qualified to fulfil their duties.

Key responsibilities of the BRC - overview

Risk strategy and policy

- Consider ClearBank's risk profile relative to current and future bank strategy and risk appetite and identify any risk trends, concentrations or exposures and any requirement for policy change
- Review the design and implementation of risk management across the bank and the operation of the risk policy documents and their enforcement
- Notification and oversight in relation to material breaches of risk limits, or procedures
- Review the design and implementation of the risk management and measurement strategies and the procedures for monitoring the adequacy of those processes

Risk profile

- Review the performance of ClearBank relative to its Risk Appetite.

Risk appetite

- Review and recommend to the Board in relation to ClearBank's risk appetite and its framework, taking into account the bank's capital and liquidity adequacy and the external risk environment
- Consider and oversee functional risk appetite measures and related authorities, limits and mandates of external parties

Key topics discussed by the BRC In 2017

During the year the following matters were considered by the Committee:

- Annual review and recommendation to the Board regarding Risk Management Framework (RMF)
- Capital & Liquidity Matters: including Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and monthly reports from the Assets & Liability Committee (ALCO) via the Executive Risk Committee (ERC)
- Pillar 3 Disclosures
- Policies: Review and approval of risk-pertinent ClearBank policies and policy updates, including Provisioning Policy, Credit & Counterparty Risk Policy, Concentration Risk Policy, Information Management & Security (IMS) Policy, Financial Crime Policy, Conduct Risk Policy, Data Privacy Policy, Speak-up Policy
- Regulatory developments: including in relation to General Data Protection Regulation (GDPR), Payment Services Directive (PSD2), Criminal Finances Act 2017, Money Laundering Directive IV (MLD IV)
- CRCO Monthly Reports: Standing items addressing Risk Appetite, Strategic Risks, Financial Crime Risk, Prudential Risk, Product & Conduct Risk and Operational Risk
- Operational Risk Incidents
- Business Impact Assessment ('BIA'), Business Continuity Planning and Management ('BCP/BCM')

Graeme Smith
Chairman of Board Risk Committee
Independent Non-Executive Director

Remuneration Committee Report

The Remuneration Committee ensures that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of all staff within the required regulatory framework.

Membership & meetings

The Remuneration Committee's membership is made up of the three Independent Non-executive Directors: Shonaid Jemmett-Page (who chairs the Committee), Graeme Smith and Philip Kenworthy. A standing invitation exists to either of the two Investor Directors to join the Committee or to attend at any time. In addition the Executive Chairman and the Chief Executive Officer may be invited to attend meetings on an ad hoc basis, although neither have the mandate to determine policy for any matter brought before the Committee for approval.

In order to fulfil its duties in the early stage of the bank's development, the Remuneration Committee met on six occasions during the year.

The experience of the committee's members

All of the Committee's members who served during the year are considered by the Board to be appropriately experienced and qualified to fulfil their duties.

Key responsibilities of the remuneration committee - overview

- To agree the framework and policy for terms of employment and remuneration, including; service contracts, policy for and scope of pension arrangements, the basis of bonus and bonus awards, participation in and awards under share, incentive and benefit plans, and targets for any performance related pay schemes. Where shareholder approval is required it will recommend plans to the Board to be taken by the Board to shareholders
- Seek periodic internal assurances that the bank's remuneration processes and principles as set out in its remuneration policy are being implemented in line with the policy
- Work with and seek advice from the Board Audit Committee, Board Risk Committee and other relevant internal or external parties on the management of remuneration risk, including advice on the measurement of performance in the context of incentives, the vesting of long term incentives and the application of risk adjustments or clawback
- When setting individual remuneration packages the Committee is authorised to obtain information about remuneration in other companies of comparable scale and complexity. The Committee has authority to appoint remuneration consultants, when deemed appropriate by the Board, at the expense of the bank
- Ensure full compliance with the IFPRU Remuneration Code, otherwise known as SYSC 19-A

Cessation of employment

- Agree terms for cessation of employment (in line with the bank's Remuneration Policy) and ensure that any payments made are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised

Promote long term resilience, stability and success

- Exercise judgement in the application of the remuneration policy so as to promote the long term success of the bank
- The Committee shall ensure that management does not permit reward for failure or conduct that is not in line with ClearBank's values

Disclosure

- Ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled

Key Topics discussed by the Remuneration Committee in 2017

During the year and within the context of the formative stage of the bank's development, the activities of the Committee have aimed to ensure the development of a robust and appropriate performance and reward environment which supports the delivery of the bank's long term corporate strategy, the development of behaviours and a culture which closely aligns remuneration to standards of appropriate conduct.

There were a number of notable items discussed by the Committee, which are listed below, together with the key outcomes delivered in 2017.

- Terms, Conditions and Contracts of Employment were introduced across the organisation to ensure the appropriate standards and protections for the bank and for our employees.
- A market competitive benefits program was introduced, covered by a suite of comprehensive and externally benchmarked insurance and pension companies.
- The ClearBank Performing People Framework was introduced, delivering regular dialogue between employees and leaders and ensuring the alignment of individual performance and behaviours to overall assessment ratings and awards.
- All employees who were identified as subject to the Senior Managers Regime, either as a Senior Manager, a Certified Individual or a Material Risk Taker were duly advised of their status, required to attend appropriate regulatory training and completed the performance management/ development planning process suitable for their certification in position.
- The Senior Managers Succession Plan was developed and ratified at Board on 27 July 2017.
- All of the above activities were supported through a fit for purpose suite of policies & procedures, an Employee Handbook, and a compliance training curriculum and attestation process.

In determining the pay outcomes for the 2017 financial year, the Remuneration Committee gave full consideration to all aspects of performance, ensuring a clear link to individual performance, accountability, bank results and the overall assessment of the regulatory risk & compliance. Additionally, consideration was given in respect of tenure and contribution to the bank's development.

Shonaid Jemmett-Page
Chair of the Remuneration Committee
Senior Independent Director

Ellen Candil
Enterprise Systems Lead

Report of the Directors

The Directors present their report and the consolidated financial statements of the Group for the year ended 31 December 2017. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Results

The Group recorded a net loss of £13.9m for the year ended 31 December 2017.

Dividend

The directors of the Company do not recommend the payment of a dividend.

Share capital

Details of the Company's Share Capital are disclosed in note 12 in the financial statements on page 74.

Events after the reporting year end

Additional £10m capital injection is planned in Q2 2018 for which commitment has been received from the existing shareholders.

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

Going concern statement

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate.

Future developments in the business, research and development and details of branches outside the UK

The primary focus in 2017 has been successfully gaining regulatory approval to exit mobilisation. In doing so, the Board and Exco have completed implementing the infrastructure, resources and necessary controls to scale for volume and open the bank doors to customers. In 2018 our focus will centre on our customers – converting our pipeline into signed contracts, on-boarding customers quickly and efficiently, processing volume transactions and providing the high standards of service and product design which form our core proposition.

Directors

The directors holding office during the year ended 31 December 2017 were as follows:

Mel Gerard Carvill

Shonaid Christina Ross Jemmett-Page

Marc Jenkins
(Appointed on 26 January 2017)

Philip Kenworthy
(Appointed on 29 June 2017)

Charles Ashley McManus

Jonathan Nicholas Ogden

Graeme Smith

Stan William Leo Spavold

John Carter Risley*

*John Risley is an alternate investor director for Stan Spavold

Further details relating to the Directors are provided on pages 24-25 and also on the Company's website.

Directors' liability insurance cover

The Company has in place a directors and officers insurance policy to cover relevant individuals against claims arising from their work on behalf of the Company. The Directors intend to keep the level of cover provided under annual or more frequent review if appropriate.

Re-appointment of auditor

The auditor, BDO LLP, are deemed to be reappointed under section 487 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 25 April 2018.

CA McManus

Charles McManus
Chief Executive Officer

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Report and the Financial Statements in accordance with applicable laws 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 is 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 25 April 2018.

CAMcManus

Charles McManus
Chief Executive Officer

Independent Auditor's Report

Opinion

We have audited the financial statements of Clearbank Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company cash flow statement, consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice ; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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. 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.

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Matter

Capitalisation of software development expenses –£4.8 million (2016: £1.5 million)

The capitalisation of software development expenses in respect of internally generated software is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

There is a risk that the software development expenses, which include staff and contractor costs, are not capitalised appropriately in accordance with international accounting standards.

The accounting policy for capitalisation of software expenses is disclosed in Note 1 to the consolidated financial statements. Further information on the balance is included in Note 8 to the financial statements.

How it was addressed

We obtained a breakdown of the software expenses capitalised and updated our understanding of the Group's methodology and accounting policy for capitalisation of these expenses.

We have tested software development expenses and agreed a sample of invoices to supporting documentation and traced to bank statements. We have tested that these sampled expenses are capitalised in accordance with the Group's accounting policies.

Recognition of deferred tax asset – £3.7 million (2016: £NIL) As at 31 December 2017, a deferred tax asset has been recognised for the carry-forward of unused tax losses and unused tax credits to the extent that these can be utilised. Management have prepared and assessed forecasts of performance, which indicate a full utilisation in the foreseeable future. The risk is that the deferred tax asset has not been appropriately recognised in accordance with international accounting standards. The accounting policy for recognition of the deferred tax asset is disclosed in Note 1 to the consolidated financial statements. Further information on the balance is included in Note 6 to the financial statements	We have reviewed the methodology used and the accounting judgements produced by management to evaluate and assess the impact of the accounting treatment to recognise the deferred tax asset in the Group's statement of financial position. We independently assessed the accounting treatment using this assessment to challenge the key judgements, especially in respect of expected cash flows, made by management, including the assessment of any potential management bias for indicators supporting recognition of deferred tax asset. We engaged our internal tax specialists to assess the reasonableness of the recognition of the deferred tax asset, including the consideration and challenge of management's rationale for the judgements applied.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit and in forming our opinion. Materiality is assessed on both quantitative and qualitative grounds.

Materiality	**£257,000**
Performance materiality	**£193,000**
Reporting threshold	**£5,000**

We consider materiality to be the magnitude by which misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined the materiality for the Group financial statements to be £257,000 (2016: £117,000), which was set at 1.5% of total expenses. This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that Group total expenses would be the most appropriate basis for determining overall materiality as we consider this to be one of the principal considerations for members of the Group in assessing the financial performance of the Group at this stage of its development.

Whilst materiality for the financial statements of a whole was £257,000, each component of the Group was audited to a lower level of materiality.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £193,000 (2016: £76,000).

Reporting threshold

We agreed with the Audit Committee that we would report all individual audit differences identified during the course of our audit in excess of £5,000 (2016: £5,000) to the Audit Committee. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

We tailored our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates. The Group is based in the United Kingdom with the parent company being the only material component. The parent company and the subsidiaries were all subject to a full scope audit and all work was undertaken by the Group Audit team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Daniel Taylor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street, London, UK
25 April 2018

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

Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 Dec 2017 £'000	16 months ended 31 Dec 2016 £'000
Fee income		3	-
Interest income		46	-
Other income		-	3
Total income		**49**	**3**
Operating expenses	4	(17,597)	(5,902)
Operating loss		**(17,548)**	**(5,899)**
Interest payable and similar charges		(3)	-
Loss on ordinary activities before taxation		**(17,551)**	**(5,899)**
Tax benefit on ordinary activities	6	3,652	124
Total loss for the year/ period		**(13,899)**	**(5,775)**
Total comprehensive loss for the year/ period		**(13,899)**	**(5,775)**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Consolidated Statement of Financial Position

	Notes	As at 31 Dec 2017 £'000	As at 31 Dec 2016 £'000
Non-current assets			
Property, plant and equipment	7	1,082	932
Intangible assets	8	6,728	2,032
Deferred tax asset	6	3,652	-
		11,462	2,964
Current assets			
Cash and cash equivalents		27,062	18,475
Collateral placed with card schemes		315	-
Receivables	10	1,176	487
		28,553	18,962
Total assets		40,015	21,926
Current liabilities			
Payables	11	4,367	2,447
Amounts due to customers		1,601	-
Total liabilities		5,968	2,447
Net assets		**34,047**	**19,479**
Capital and reserves			
Called up share capital	12	-	-
Treasury shares		(204)	-
Share based payment reserve		467	-
Share premium		53,458	25,254
Retained losses		(19,674)	(5,775)
Total shareholders' funds		**34,047**	**19,479**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

The financial statements were approved by the Board and signed on its behalf by:

Charles McManus
Chief Executive Officer
25 April 2018

Marc Jenkins
Chief Financial Officer
25 April 2018

Company Statement of Financial Position

	Notes	As at 31 Dec 2017 £'000	As at 31 Dec 2016 £'000
Non-current assets			
Property, plant and equipment	7	1,080	926
Intangible assets	8	6,245	1,548
Investment in subsidiaries	9	-	191
Deferred tax asset	6	3,652	-
		10,977	2,665
Current assets			
Cash and cash equivalents		27,005	18,452
Collateral placed with card schemes		315	-
Receivables	10	1,359	830
		28,679	19,282
Total assets		39,656	21,947
Current liabilities			
Payables	11	4,477	2,468
Amounts due to customers		1,601	-
Total liabilities		6,078	2,468
Net assets		**33,578**	**19,479**
Capital and reserves			
Called up share capital	12	-	-
Share based payment reserve		467	-
Share premium		53,254	25,254
Retained losses		(20,143)	(5,775)
Total shareholders' funds		**33,578**	**19,479**

The Company has taken exemption under Companies Act Section 408 (4) to not disclose the Company Statement of Comprehensive Income.

The Company loss for the year ended 31 December 2017 was £14.4m (31 December 2016; £5.8m)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

The financial statements were approved by the Board and signed on its behalf by:

Charles McManus
Chief Executive Officer
25 April 2018

Marc Jenkins
Chief Financial Officer
25 April 2018

Consolidated Statement of Changes in Equity

	Called up Share Capital £'000	Treasury Shares £'000	Share based payment reserve £'000	Share Premium £'000	Retained Losses £'000	Total Equity £'000
At 17 August 2015	-	-	-	-	-	-
Proceeds from issue of shares	-	-	-	25,254	-	25,254
Loss for the period	-	-	-	-	(5,775)	(5,775)
At 31 December 2016	**-**	**-**	**-**	**25,254**	**(5,775)**	**19,479**
Proceeds from issue of shares	-	-	-	28,204	-	28,204
Loss for the year	-	-	-	-	(13,899)	(13,899)
Movement for the year	-	(204)	467	-	-	263
At 31 December 2017	**-**	**(204)**	**467**	**53,458**	**(19,674)**	**34,047**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Company Statement of Changes in Equity

	Called up Share Capital £'000	Share based payment reserve £'000	Share Premium £'000	Retained Losses £'000	Total Equity £'000
At 17 August 2015	**-**	**-**	**-**	**-**	**-**
Proceeds from issue of shares	-	-	25,254	-	25,254
Loss for the period	-	-	-	(5,775)	(5,775)
At 31 December 2016	**-**	**-**	**25,254**	**(5,775)**	**19,479**
Proceeds from issue of shares	-	-	28,000	-	28,000
Loss for the year	-	-	-	(14,368)	(14,368)
Movement for the year	-	467	-	-	467
At 31 December 2017	**-**	**467**	**53,254**	**(20,143)**	**33,578**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Consolidated Statement of Cash Flows

	Year ended 31 Dec 2017 £'000	16 months ended 31 Dec 2016 £'000
Cash flows from operating activities		
Loss for the year/ period	**(13,899)**	**(5,775)**
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	490	63
Amortisation	334	19
Impairment of goodwill	-	92
Costs for raising finance (included in professional fees)	92	1,551
Share based payment expense	467	-
Tax benefit	(3,652)	(124)
Operating cash flow before changes in working capital	**(16,168)**	**(4,174)**
Changes in operating assets and liabilities	-	-
Change in collateral	(315)	-
Change in receivables	(689)	(330)
Change in payables	1,920	1,995
Change in amounts due to customers	1,601	-
Net cash flow used in operating activities	**(13,651)**	**(2,509)**
Cash flows used in investing activities		
Acquisition of subsidiary	-	(191)
Purchase of property, plant and equipment	(640)	(992)
Purchase of intangible assets	(5,030)	(1,561)
Cash acquired on acquisition of subsidiaries	-	25
Net cash flow used in investing activities	**(5,670)**	**(2,719)**
Cash flows from financing activities		
Proceeds from issuance of shares	28,000	25,254
Cost of raising finance	(92)	(1,551)
Net cash flow from financing activities	**27,908**	**23,703**
Net change in cash	**8,587**	**18,475**
Cash at beginning of period	18,475	-
Cash at end of year/ period	**27,062**	**18,475**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

1. Authorisation of financial statements and compliance with IFRS and FRS 101

The financial statements of ClearBank Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2017 were approved by the Board of Directors (the 'Board') on 25 April 2018 and the balance sheet was signed on the Board's behalf by Charles McManus and Marc Jenkins. ClearBank Limited is incorporated and domiciled in England and Wales and registered at Level 29, The Gherkin, 30 St Mary Axe, London, EC3A 8EP.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Companies Act 2006. The Company's financial statements have been prepared under FRS 101 (Reduced Disclosure Framework). The accounting policies which follow set out those policies which apply in preparing these financial statements.

2. Accounting policies

Basis of preparation

The Group's and Company's financial statements are presented in Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) except when otherwise stated.

The financial statements are prepared under the historical cost convention.

The results of the current financial year are not directly comparable to the prior period as that was a 16 month period.

Basis of consolidation

The Group financial statements consolidate the financial statements of ClearBank Limited and the entities it controls (its subsidiaries) drawn up to 31 December each year.

Subsidiaries are consolidated from the date the Group obtains control and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership or voting rights. All intragroup balances and transactions, including profits arising from them, are eliminated in full.

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 statement of financial position, 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.

The Company is the only cash generating unit within the Group.

Disclosure exemptions

The Company has taken advantage of the following exemptions under FRS 101:

- the requirements of IAS 7 *Statement of Cash Flows;*
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors;*
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures;*
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

The Directors have approved these disclosure exemptions for the Company.

Accounting estimates and judgements

The preparation of financial statements requires the Group to make estimates and judgements that affect amounts recognised in the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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.

The key areas of accounting estimation and assumptions are discussed below:

Capitalisation of software development costs

Development expenditure represents expenditure incurred for building software internally to support the services and products of the Group. Management exercises judgement in determining which software development costs meet the IAS 38 criteria for capitalisation and lead to future economic benefits sufficient to recover the costs capitalised. This includes estimates as to the amount of time spent directly on development of new software or significant improvement of the existing systems. The capitalised assets are amortised over the useful economic lives of these assets.

Value added tax

Judgement is used in determining the percentage of VAT on taxable purchases that is recoverable.

During the year the Group took a prudent approach to provide for zero recoverability on VAT. This included adjustments to fixed assets and internally developed software to reflect the irrecoverable VAT as an increased asset cost. Depreciation and amortisation were also revised accordingly.

Deferred tax

Significant judgement is involved in determining the provision for taxation. There are certain transactions and computations for which the ultimate tax determination is uncertain.

Deferred tax assets and liabilities can be recognised when the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Deferred tax assets are recognised when in the opinion of management it is probable that taxable profits will be available against which the differences can be utilised. As at 31 December 2017, a deferred tax asset has been recognised as management have prepared and assessed forecasts of performance which indicate full recovery in the foreseeable future with a high level of confidence.

Adoption of new and amended IFRS and interpretations

The IFRS financial information has been drawn based on accounting standards, interpretations and amendments effective at the beginning of the accounting period. There were no new standards coming into effect during the year that impacted the Group.

The standards and interpretations that are issued, but not yet effective up to the Balance Sheet date. The Group intends to adopt these standards, if applicable, when they become effective. The impact of these changes to the Group and Company is currently being assessed.

New standards		Effective for annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts and customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014. It will mainly replace IAS 18 'Construction Contracts', IAS 18 'Revenue' and several interpretations. Contracts are bundled or unbundled into distinct performance obligations with revenue recognised as the obligations are met. It is effective from 1 January 2018. The impact of IFRS 15 on its initial application will not be material in light of the amount of revenue that has been recognised at 31 December 2017.

IFRS 16 'Leases' was issued in January 2016 to replace IAS 17 'Leases'. Accounting for finance leases will remain substantially the same. Operating leases will be brought on the balance sheet through the recognition of assets representing the contractual rights of use and liabilities will be recognised for the contractual payments. The effective date is 1 January 2019.

The Group is currently assessing the effect of adopting these standards on its financial statements.

IFRS 9

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement is effective for periods beginning on or after 1 January 2018. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments. The Group has currently performed a preliminary assessment of the IFRS9 impact on current year balances and have not identified a material adjustment. However, the Group is currently in the process of performing a complete assessment on the impact of adopting the standard.

Scope and differences

The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37). In addition, IAS 39 requires the impairment to be based on the fair value loss for available for sale debt rather than estimated future cashflows. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope in the stand alone reporting entity accounts.

The new revised impairment model will require entities to recognise expected credit losses based in-part on unbiased forward-looking information. This contrasts from the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss at the most probable outcome.

Under the model, impairment will be recognised earlier than under the current IAS 39 guidance and impairment amounts will also be higher and tend to be more volatile.

Expected credit losses

A credit loss is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive discounted at the original effective interest rate. Expected credit losses ('ECL') are the probability weighted estimate of credit losses which take into account time value of money. Because ECL considers the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full.

The IFRS 9 impairment model uses 12-month ECL or Lifetime ECL which are defined as:

- 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.
- Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument and are the weighted average credit losses with the probability of default as the weight.

The Model

IFRS 9 outlines a 'three-stage' model ('general model') for impairment based on changes in credit quality since initial recognition:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECL is recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL is recognised.
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognised.

Main judgements

The measurement of expected loss involves increased complexity and judgement. In calculating ECL, management need to consider reasonable and supportable information about past events, current conditions, forecasts of future events and economic conditions at the reporting date. The degree of judgement required for the estimates depends on the availability of detailed information. The key areas which require management judgement include:

i Assessing a significant increase in credit risk

When assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, management need to look at the change in the risk of a default occurring over the expected life of the financial instrument rather than the change in the ECL. The risk of a default as at the reporting date is compared to the risk of a default as at the date of initial recognition.

The standard requires both forward-looking and historical information to be used. Management need to consider reasonable and supportable best information available without undue cost or effort. This information needs to include actual and expected changes in external market indicators, internal factors and borrower-specific information.

In the absence of forward looking information, credit risk is deemed to have increased significantly no later than when contractual payments are more than 30 days past due. Lifetime ECL should not be delayed and is recognised before a financial asset is regarded as credit impaired or in default.

ii Definition of default and credit impaired assets

The standard requires an entity to apply a definition of default that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and to consider qualitative factors (for example, financial covenants), where appropriate. Default does not occur later than when a financial asset is 90 days past due, unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired is expected to be when the exposure has defaulted, which is also anticipated to align to when an exposure is identified as individually impaired under the incurred loss model of IAS 39. Write-off polices are not expected to change from IAS 39.

iii Expected life/ period over which to measure ECL

The maximum period over which Lifetime ECL must be measured is the expected life. The exception to this is loan commitments where the maximum period is the contractual period over which the entity is exposed to credit risk.

Some financial instruments include both a loan and an undrawn commitment component, such as revolving credit facilities. In such cases, the contractual ability to demand repayment and cancel the undrawn commitment does not necessarily limit the exposure to credit losses beyond the contractual period. The expected life for these revolver facilities is expected to be behavioural life. Management will need to apply significant judgement to determine the behavioural life of these types of instruments.

iv Forward looking information

When estimating ECL, management need to consider information that is reasonably available, including reasonable and supportable forecasts of future events and economic conditions. For periods beyond ‘reasonable and supportable forecasts’, management need to consider how best to reflect its expectations. For such periods, management may extrapolate projections from available, detailed information. As the forecast horizon increases, the availability of detailed information decreases, and the degree of judgment to estimate ECL increases.

Classification and measurement

IFRS 9 requires financial assets to be classified based on the following two criteria:

i The business model within which the financial assets are managed and

ii Their contractual cash flow characteristics (whether the cashflows represent ‘solely payments of principal and interest’).

If financial assets are held within a business model whose objective is to hold financial assets to collect contractual cashflows and their contractual cash flows represent solely payments of principal and interest, they are measured at amortised cost. If in addition to this, the business model also sells financial assets, the financial assets are measured at fair value through other comprehensive income. Other financial assets are measured at fair value through profit and loss.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at fair value through profit and loss. Gains and losses on such financial liabilities arising from changes in the Group's own credit risk are presented in other comprehensive income rather than in the statement of comprehensive income. There is no subsequent reclassification of realised gains or losses on own credit to the statement of comprehensive income.

Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, which are more closely aligned with an entity's risk management strategies and risk objectives. The Group does not have any hedges under IAS 39 and adoption of IFRS 9 hedge accounting is optional.

Other areas

The Group continues to assess ECL's implications on capital planning and capital positioning and how it may change processes, governance and risk management.

Foreign currencies

Functional and presentation currency

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 Sterling, 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 on the transaction date or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income 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 the statement of comprehensive income.

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 the statement of comprehensive income . 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 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.

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

The Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The cash and cash equivalents on the balance sheet consists solely of cash.

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.

Collateral placed with card schemes

Collateral is recognised when placed with the bank. As at 31 December 2017, The Group provided cash collateral for the Visa card payment scheme. This is identified separately in the balance sheet and not included as a component of cash and cash equivalents.

Receivables

Receivables are recorded at the invoiced amount which is considered to be an approximation of fair value and do not bear interest.

Payables

Payables are stated at fair value and include operating expenses payable, accruals and provisions.

Amounts due to Customers

Amounts due to customers relates to cash held on account to support customer transactions. A corresponding asset in connection to these amounts is maintained within "cash and cash equivalents".

Property, plant and equipment

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

Property, plant and equipment is depreciated using the straight-line method over its estimated useful life. 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

Depreciation methods, residual values and useful lives are reviewed annually and adjusted if appropriate.

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.

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 statement of comprehensive income .

The estimated useful lives of computer software and other intangible assets are 5 years.

Assets that are significant in value are reviewed at least annually to ensure the economic life is still appropriate and the resulting amortisation 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.

Investment in subsidiaries

In the Company accounts, investment in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The carrying cost is reviewed at each balance sheet date by reference to the income that is projected to arise there from. At 31 December 2017, there were no income streams projected to arise from the investment and as a result, it was fully impaired.

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease.

Equity instruments

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.

Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairment of Assets. Goodwill arising from the acquisition of subsidiaries is measured as the excess of purchase consideration over the fair value of the Group's share of the assets acquired and liabilities assumed on the date of acquisition. If the consideration is lower than the fair value of the net assets in the subsidiary acquired, the difference is recognised immediately in the statement of comprehensive income.

Goodwill is reviewed for impairment annually whether or not there is any indication that impairment may have occurred. The carrying value of goodwill is compared to the recoverable amount of the Cash Generating Unit ('CGU') to which the goodwill has been allocated. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to the CGU's that are expected to benefit from the synergies of the combination. The lowest level of CGU is considered to be ClearBank. When the carrying value of ClearBank's net assets, including attributable goodwill, exceeds its recoverable value, goodwill is written down for impairment and charged to the statement of comprehensive income in the year in which impairment is identified.

As at 31 December 2017, the recoverable amount was considered to be the value in use derived by assessing the estimated future cash flows expected to be derived from the Company's operations, discounted to their present value. These cash flows were based on strategic plans and financial models approved by the Board of Directors. The forecasts considered various aspects of the Company's operations over the next five years, including proposed capital raises required to support the Company prior to achieving profitability, as well as maintaining sufficient CET1 Capital in line with the proposed growth of the statement of financial position. Based on this, the recoverable amount exceeded the carrying amount and goodwill remained un-impaired.

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.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If there is an indication that an asset is impaired its carrying value is reduced to the net recoverable amount.

Research and development expenditure

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

Development expenditure 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 it was incurred.

Share based payments

Equity settled award plans

The Company operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

The Company accounts for these plans in accordance with the requirements of IFRS 2. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to a share-based payment reserve in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not affect the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Segmental reporting

As all the Group's activities are in the United Kingdom, no segmental analysis is presented on operating segments or geographical lines.

Pension

The Company operates a defined contribution pension scheme. The Company has no further payment obligations once the payment has been made. Contributions are recognised in the statement of comprehensive income as an employee benefit expense in the period when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

Taxation

Current taxation

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income 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 statement of comprehensive income 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 taxation

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 statement of comprehensive income, 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.

3. Employees' and Directors' remuneration

	Year ended 31 Dec 2017	16 months ended 31 Dec 2016
	£'000	£'000
Salaries and wages	4,543	1,757
Social security costs	802	279
Pension costs	299	-
Bonus	1,266	416
Share based payments	467	-
	7,377	**2,452**

Average number of employees including Directors during the year/ period:

	Year ended 31 Dec 2017	16 months ended 31 Dec 2016
Executive	5	5
Legal and Regulatory	2	1
Risk	6	1
Programme management	8	3
Sales	5	2
Finance and Treasury	6	1
Technology	27	12
Human resources and Administration	6	1
Operations	9	-
Internal audit	1	-
	75	**26**

Key management personnel

	Year ended 31 Dec 2017	16 months ended 31 Dec 2016
	£'000	£'000
Salaries and wages	1,893	1,554
Social security costs	316	202
Pension costs	72	-
Share based payments	345	-
	2,626	**1,756**

Key management personnel are defined as those in the Executive Committee.

Directors remuneration

	Year ended 31 Dec 2017 £'000	16 months ended 31 Dec 2016 £'000
Directors' emoluments	1,025	836
Social security costs	157	107
Pension costs	28	-
Share based payments	21	-
	1,231	**943**

Highest paid director

	Year ended 31 Dec 2017 £'000	16 months ended 31 Dec 2016 £'000
Salaries and wages	341	306
Social security costs	59	39
Pension costs	8	-
	408	**345**

4. Operating expenses

Operating loss is after charging:

	Year ended 31 Dec 2017 £'000	16 months ended 31 Dec 2016 £'000
Staff costs	7,550	2,464
Professional fees	3,340	2,314
Depreciation	490	63
Amortisation	334	19
Impairment of goodwill	-	92
Loss on foreign exchange	18	4
VAT	1,759	253
Other administrative costs	4,106	693
	17,597	**5,902**

5. Auditor's remuneration

	Year ended 31 Dec 2017 £'000	16 months ended 31 Dec 2016 £'000
Fees for audit of Group financial statements	32	14
Fees for audit of subsidiary financial statements	6	-
Fees for other non-audit services	14	60
	52	**74**

6. Tax

a) Taxation

	Year ended 31 Dec 2017 £'000	16 months ended 31 Dec 2016 £'000
Current tax		
Current tax on income for the period	-	-
Adjustments in respect of prior years	-	-
Deferred tax		
Origination and reversal of timing differences	3,290	-
Adjustments in respect of prior years	845	-
Effect of rate changes	(483)	-
Total tax (charge)/credit - P&L	**3,652**	**-**

b) Change in tax rate

A reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6th September 2016. These will reduce the company's current tax charge accordingly.

c) Reconciliation of effective tax charge

	Year ended 31 Dec 2017 £'000	16 months ended 31 Dec 2016 £'000
Loss on ordinary activities before tax	(17,551)	(5,775)
Tax at UK corporation tax rate of 19.25% (2016: 20%)	3,378	(1,155)
Effects of:		
Adjustments in respect of prior years	-	-
Non-deductible expenses	(87)	479
Non-taxable income		-
Current year temporary differences on which no deferred tax was recognised	-	-
Current year losses for which no deferred tax was recognised	(2)	-
Effect of rate changes	(483)	-
Other timing differences on which deferred tax was not previously recognised	845	-
Utilisation of losses on which no deferred tax was previously recognised	1	-
Loss carried forward	-	800
Tax (charge)/credit for the period	**3,652**	**124**
Current tax account		
Corporation tax payable/ (receivable)	-	-
Deferred tax account		
Deferred tax asset	3,652	-
Deferred tax liability	-	-
	3,652	**-**

d) Deferred tax assets

At 31 December 2017 the Group had temporary differences of £22.4m 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 profit will be generated to utilise the available losses. A deferred tax asset of £3.7m has been recognised in the Group (Company: £3.7m).

In relation to unrecognised deferred tax assets in the Group, based on the expected tax rate during the period where the deferred tax assets are likely to be realised, the value of the deferred tax asset at 31 December 2017 would be £0.2m (Company: £nil).

7. Property, plant and equipment

Group

	Computer Equipment £'000	Office Equipment £'000	Total £'000
Costs			
As at 17 August 2015	-	-	-
Acquisition through business combinations	3	-	3
Additions	991	1	992
As at 31 December 2016	**994**	**1**	**995**
Additions	598	42	640
As at 31 December 2017	**1,592**	**43**	**1,635**
Depreciation			
As at 17 August 2015	-	-	-
Provided for the period	(63)	-	(63)
As at 31 December 2016	**(63)**	**-**	**(63)**
Provided for the year	(479)	(11)	(490)
As at 31 December 2017	**(542)**	**(11)**	**(553)**
Net book value			
As at 31 December 2016	**931**	**1**	**932**
As at 31 December 2017	**1,050**	**32**	**1,082**

7. Property, plant and equipment

Company

	Computer Equipment £'000	Office Equipment £'000	Total £'000
Costs			
As at 17 August 2015	-	-	-
Additions	986	1	987
As at 31 December 2016	**986**	**1**	**987**
Additions	611	29	640
As at 31 December 2017	**1,597**	**30**	**1,627**
Depreciation			
As at 17 August 2015	-	-	-
Provided for the period	(61)	-	(61)
As at 31 December 2016	**(61)**	**-**	**(61)**
Provided for the year	(486)	-	(486)
As at 31 December 2017	**(547)**	**-**	**(547)**
Net book value			
As at 31 December 2016	**925**	**1**	**926**
As at 31 December 2017	**1,050**	**30**	**1,080**

8. Intangible assets

Group

	Computer Software £'000	Other Intangibles £'000	Goodwill £'000	Total £'000
Costs				
As at 17 August 2015	-	-	-	-
Acquisition through business combinations	-	7	6	13
Additions	1,531	30	569	2,130
As at 31 December 2016	**1,531**	**37**	**575**	**2,143**
Additions	4,801	229	-	5,030
As at 31 December 2017	**6,332**	**266**	**575**	**7,173**
Amortisation				
As at 17 August 2015	-	-	-	-
Provided for the period	(11)	(8)	-	(19)
Impairment loss	-	-	(92)	(92)
As at 31 December 2016	**(11)**	**(8)**	**(92)**	**(111)**
Provided for the year	(196)	(138)	-	(334)
As at 31 December 2017	**(207)**	**(146)**	**(92)**	**(445)**
Net book value				
As at 31 December 2016	**1,520**	**29**	**483**	**2,032**
As at 31 December 2017	**6,125**	**120**	**483**	**6,728**

8. Intangible assets

Company

	Computer Software £'000	Other Intangibles £'000	Total £'000
Costs			
As at 17 August 2015	-	-	-
Additions	1,530	30	1,560
As at 31 December 2016	**1,530**	**30**	**1,560**
Additions	4,923	109	5,032
As at 31 December 2017	**6,453**	**139**	**6,592**
Amortisation			
As at 17 August 2015	-	-	-
Provided for the period	(11)	(1)	(12)
Impairment loss	-	-	-
As at 31 December 2016	**(11)**	**(1)**	**(12)**
Provided for the year	(317)	(18)	(335)
As at 31 December 2017	**(328)**	**(19)**	**(347)**
Net book value			
As at 31 December 2016	**1,519**	**29**	**1,548**
As at 31 December 2017	**6,125**	**120**	**6,245**

9. Investment in subsidiaries

	Company Year ended 31 Dec 2017 £'000	Company 16 months ended 31 Dec 2016 £'000
Balance at the beginning of the period	191	-
Investment during the period	-	191
Impairment	(191)	-
Balance at the end of the period	**-**	**191**

The principal subsidiaries of the Company as at 31 December 2017 all of which have been included in the consolidated statements are:

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

All subsidiaries are registered at Level 29, The Gherkin, 30 St Mary Axe, London, EC3A 8EP.

The Employee Benefit Trust is consolidated within the Group. See note 15 for further details.

10. Receivables

	Group Year ended 31 Dec 2017	Group 16 months ended 31 Dec 2016	Company Year ended 31 Dec 2017	Company 16 months ended 31 Dec 2016
	£'000	£'000	£'000	£'000
Prepayments	892	137	1,017	138
Accrued income	10	-	10	-
Employee loans	36	44	36	44
Other receivables	7	51	6	2
VAT	231	255	233	255
Balance owed by subsidiaries	-	-	57	391
	1,176	**487**	**1,359**	**830**

The carrying amounts approximate fair value.

11. Payables

	Group Year ended 31 Dec 2017	Group 16 months ended 31 Dec 2016	Company Year ended 31 Dec 2017	Company 16 months ended 31 Dec 2016
	£'000	£'000	£'000	£'000
Taxes and social security costs	1,176	385	1,176	385
Accruals	2,376	618	2,486	620
Other payables	815	1,444	815	1,444
Owed to other companies in the group	-	-	-	19
	4,367	**2,447**	**4,477**	**2,468**

The carrying amounts approximate fair value.

12. Share capital

Group and Company

	31/12/2017 Number	31/12/2016 Number	31/12/2017 £	31/12/2016 £
Allotted, issued and fully paid				
Class A ordinary shares of £0.00001 each	950,230	800,000	9.5	8.0
Class B1 ordinary shares of £0.00001 each	80,000	80,000	0.8	0.8
Class B2 ordinary shares of £0.00001 each	120,000	120,000	1.2	1.2
Class C1 ordinary shares of £0.00001 each	80,000	80,000	0.8	0.8
Class C2 ordinary shares of £0.00001 each	120,000	120,000	1.2	1.2
Class D ordinary shares of £0.00001 each	1	1	-	-
			13.5	**12.0**

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

During the year, 150,230 ordinary shares of £0.00001 each were issued for £28m.

13. 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 totalled £23.7m (2016: £17.4m). This CET1 Capital number is comprised of ClearBank's net equity of £33.6m (2016: £19.5m), less certain capital deductions, including the intangible asset balance of £6.2m (2016: £2.0m).

14. Financial instruments

The Group's financial instruments principally comprise of cash and cash equivalents, receivables, trade payables and loans and borrowings that arise directly from its operations. The fair value of the Group's financial assets and liabilities are not considered to be materially different from their book values. No balances are past due or impaired at 31 December 2017 or at 31 December 2016.

The Group's exposure to market, credit and liquidity risk along with management's objectives, policies and processes for managing those risks are discussed below.

Liquidity risk

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

The Group maintains adequate levels of liquidity and ensures that it maintains sufficient levels of liquidity to meet foreseeable and unexpected needs. Policies and procedures are in place to manage liquidity risk. Limits for the level, type and maturity of liquidity and deposit funding balances are set by BRC. Independently, the Finance, Treasury and Risk departments monitor compliance with these limits.

The table below sets out the Group and Company's financial assets and liabilities which all have a maturity profile of less than three months, except collateral and amounts due to customers, which are more than six months.

	Group Year ended 31 Dec 2017	Group 16 months ended 31 Dec 2016	Company Year ended 31 Dec 2017	Company 16 months ended 31 Dec 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	27,062	18,475	27,005	18,452
Collateral	315	-	315	-
Receivables	1,176	487	1,359	830
Total assets	28,553	18,962	28,679	19,282
Payables	4,367	2,447	4,477	2,468
Amounts due to customers	1,601	-	1,601	-
Total liabilities	5,968	2,447	6,078	2,468
Net financial assets	**22,585**	**16,515**	**22,601**	**16,814**

Credit risk

Credit risk is the risk of financial loss arising from a borrower or counterparty failing to meet their financial obligations to the Group to repay in accordance with agreed terms.

The Group has not started lending to customers and hence has no direct credit exposure.

The Group carries a theoretical counterparty credit risk through cash and liquid asset placement activity as a means of managing surplus liquidity. However, the Company only places funds with the Bank of England or invests in government instruments.

Market and Interest rate risk

Market risk is the risk of financial impact from movements in market prices on the value of assets and liabilities. 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.

Given the Group structure and products currently offered, the bank has negligible exposure to these risks.

15. Share based payments

Employee Benefit Trust

In November 2016, the Group established an Employee Benefit Trust ('EBT') to facilitate share based payments to key employees through issuance of either share options or shares.

SBP - Options

As at 31 December 2017, the Group maintained one equity settled share-based payment scheme for remuneration. Options under this programme allow holders to acquire ordinary shares in the Company upon vesting. The award is subject to the condition that the employees remain in the employ of the Company until the end of the agreed vesting period.

The options will vest upon a change in control event which is considered to be the earlier of the Company being acquired by another entity or an Initial Public Offering. The options vest equally over the period from grant to 31 December 2021. During 2017 no options were cancelled, lapsed or forfeited (2016: Nil).

Details of options outstanding at the end of the periods are as follows:

	Share Options Number	Share price	Exercise price
At 17 August 2015	-		
Granted	3,900	£7.14	£3.75
Outstanding at 31 December 2016	**3,900**		
Granted	29,784	£209.52	£34.00
Outstanding at 31 December 2017	**33,684**		
Exercisable at 31 December 2016	**-**		
Exercisable at 31 December 2017	**-**		

The fair value of the options granted was determined using the Black Scholes model. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the period as well as the estimated period to vesting. The fair value is recognised in the statement of comprehensive income on a straight line basis over the vesting period. The total estimated cumulative fair value of options granted is £6.0m. The principal assumptions used in the valuation of the options were as follows:

	2017 Grant	2016 Grant
Vesting period end	2021	2021
Volatility	33.48%	36.99%
Risk-free investment rate	0.69%	0.56%

The underlying expected volatility was determined by reference to historical data of the company's selected comparator's shares over a period, relevant to the remaining term of the share option grants. No special features inherent to the options granted were incorporated into measurement of fair value.

During the year ended 31 December 2017, £0.4m was charged to the statement of comprehensive income in relation to these options.

SBP – Shares

The Company issued 16,500 shares in December 2016 and 6,000 shares in October 2017 to certain employees, subject to certain vesting conditions

The December 2016 issue consisted 5,000 shares issued to certain directors of the Company, who are required to remain in office up until 30 June 2018, or up until a change in control event. If not, for any reason, then the director forfeits all their shares. A further 11,500 shares were issued to certain employees of the Company who are required to remain in the employ of the Company for 3 years or up until a change in control event. The shares vest in equal amounts over these 3 years, from the date of issue. If an employee leaves within this 3 year period, for any reason, the relevant portion of shares (depending on which have vested up until this point) will be forfeited. For both groups, the directors and employees paid a subscription price of £3.74 per share. The Company will reimburse the holder for any forfeited shares at the lower of the subscription price paid and the market value of the shares.

In October 2017, the EBT sold 6,000 ClearBank shares to certain employees for £34 per share. These shares have the same conditions as 11,500 shares issues in December 2016. The cash received from this sale was used to purchase a further 973 ClearBank shares.

The EBT is consolidated into the Group accounts in accordance with IFRS 10. Any shares it holds in the Company are reclassified as treasury shares in the statement of financial position of the Group accounts. Any gain or loss from the purchase, sale, issue or cancellation of these shares to the EBT is eliminated at Group level.

There are transfer restrictions on the issued shares however, this is consistent with the restrictions imposed on other shareholders.

During the year ended 31 December 2017, £0.1m was charged to the statement of comprehensive income in relation to these shares.

As at 31 December 2017, the EBT owned 5.64% of the ordinary share capital of the Company.

16. Related party transactions

As specified in Note 2, the Company has taken advantage of the exemption under FRS 101 and IAS 24 Related Party Disclosures not to disclose transactions with wholly owned subsidiaries.

17. Operating leases

The Group leases two offices. During the year to 31 December 2017 £1.2m was recognised as an expense in the statement of comprehensive Income in respect of operating leases (December 2016: Nil). The future minimum payments due under non-cancellable operating leases are as follows:

	Group Year ended 31 Dec 2017	Group 16 months ended 31 Dec 2016	Company Year ended 31 Dec 2017	Company 16 months ended 31 Dec 2016
	£'000	£'000	£'000	£'000
Operating lease payments due:				
Within one year	1,856	-	1,856	-
In one to five years	470	-	470	-
	2,326	**-**	**2,326**	**-**

18. Pension commitments

The Company operates a defined contribution pension scheme. The pension cost charge for the period was £0.3m (2016: £nil).

19. Events after the reporting year end

Additional £10m capital injection is planned in Q2 2018 for which commitment has been received from the existing shareholders.

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

20. Ultimate controlling party

There is no parent undertaking or ultimate controlling party.

ClearBank - Key Information

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