COMMERCIAL AND NORTHERN LTD
(Company Number 11030672)

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 September 2019

Contents

OFFICERS AND PROFESSIONAL ADVISORS

Directors

Broadbent, David Edward Spencer	appointed on 18 June 2018
Churchouse, Robin James	appointed on 16 December 2018
Emerson, Ronald Victor	appointed on 16 September 2019
Hogan, Jonathan Derek	appointed on 18 June 2018
Iley, Craig Andrew	appointed on 25 October 2017
Thompson, Jonathan Ewen	appointed on 18 June 2018

Secretary

Baker, Richard John Rodney	appointed on 18 June 2018

Auditors

Deloitte LLP
2 Hardman Street,
Manchester,
M3 3HF

Bankers

National Westminster Bank PLC
250 Bishopsgate
London
EC2M 4AA

Registered office

Suite 20a, Manchester One
53 Portland Street
Manchester
M1 3LD

Legal advisers

DWF LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DY

DIRECTORS' REPORT

The directors present their report for the year ended 30 September 2019. The directors have elected to apply the small companies exemption of the Companies Act 2006 and not prepare a strategic report.

Principal activity and review of business

The company was incorporated with a view of disrupting the UK SME lending market by providing loan facilities of between £0.5m and £5m up to 10 times faster than the large incumbent banks.

To this end it raised £4.2m of seed capital during the year to 30 September 2019 and is investing this in three core areas:

- The development of a team with an appropriate blend of skills and experience. At the year end the company had 19 employees.
- Obtaining a banking licence to enable the company to fund its lending activities via retail deposits. The company submitted its banking licence application in September 2019.
- The development of its core IT infrastructure including its commercial loan origination platform and its core banking system. At the end of the year the company had capitalised £289k as intangible fixed assets in respect of this development. See note 6, page 18.

Results

The statement of comprehensive income for the year is set out on page 10. The loss for the year of £2,606,101 (2018: £0) has been deducted from reserves. The company's loss before taxation in 2019 was £2,858,231 (£0 in 2018). This loss reflects the significant investment in people, submission of the regulatory banking licence application and setting up core operational infrastructure required to launch the business into the UK commercial lending market.

Dividends

The directors do not recommend the payment of any dividend in 2019 (2018: £0).

Financial position

As at the 30 September 2019 the company had cash funds of £1,037,448 and total shareholder funds of £1,342,056.

Future outlook and going concern

The company aims to secure its banking licence (Authorised with Restriction) around Q2, 2020 and intends to commence lending activity shortly thereafter.

It then anticipates that it will commence deposit-taking around the end of 2020.

The company will need to raise further equity capital to underpin its bank licence, complete the development of its IT systems, further develop the team and secure initial debt funding for its lending activities.

The directors recognise that there is no guarantee that the company will raise the requisite amount of capital and that this assumption carries material uncertainty. Nevertheless, the directors are confident that the company will secure the necessary capital given the positive momentum in the company's development. This report and accounts have, therefore, been prepared on a going concern basis.

Directors

The directors of the company are set out on page 3. All directors served throughout the year and to the date of this report except as noted on page 3. Robin James Churchouse was appointed as an independent non-executive director on 16 December 2018 and Ronald Victor Emerson was appointed as Independent Chairman on 16 September 2019.

Auditor information

In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:

i) so far as he/she is aware, there is no relevant audit information of which the company's auditor is unaware; and

ii) he/she has taken all reasonable steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Deloitte LLP will continue as auditor to the company for the next financial year.

Indemnity insurance

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year as the company maintains Directors' & Officers' Liability Insurance which gives appropriate cover for legal action brought against its directors.

Approved by the Board of Directors and signed on behalf of the Board

DES Broadbent

D E S Broadbent
Director and Chief Financial Officer
28 October 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 profit or loss of the company for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF COMMERCIAL AND NORTHERN LTD

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Commercial and Northern Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in shareholders' equity;
- the statement of cash flows; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the company will need to raise further equity capital to underpin its bank licence, complete the development of its IT systems, further develop the team and secure initial debt funding for its lending activities. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 respect of these matters.

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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report.

We have nothing to report in respect of these matters.

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.

Peter Birch (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
30 October 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	Note	**2019** £	**2018** £
Revenue		-	-
Administrative and operating costs	4	(2,858,231)	-
Loss before taxation		**(2,858,231)**	-
Tax credit for the year		252,130	-
Loss and total comprehensive expense for the year attributable to the equity shareholders		**(2,606,101)**	-

All of the above results relate to continuing operations.

STATEMENT OF FINANCIAL POSITION

As at 30 September	Note	**2019** £	**2018** £
ASSETS			
Non-current assets			
Intangible assets	6	289,049	-
Property, plant and equipment	7	31,742	-
		320,791	-
Current assets			
Financial assets:			
- trade and other receivables	8	284,716	-
- cash and cash equivalents		1,037,448	1
		1,322,164	**1**
Total assets		**1,642,955**	**1**
LIABILITIES			
Current liabilities			
Financial liabilities:			
- trade and other payables	9	300,899	-
Total liabilities		**300,899**	-
NET ASSETS		**1,342,056**	**1**
SHAREHOLDER'S EQUITY			
Share capital	10	919	1
Share premium		3,943,377	-
Share-based payment reserve		3,861	-
Retained losses		(2,606,101)	-
TOTAL SHAREHOLDERS' EQUITY		**1,342,056**	**1**

The financial statements on pages 10 to 22 were approved by the board of directors on 28 October 2019 and signed on its behalf by:

D E S Broadbent
Director and Chief Financial Officer
28 October 2019

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital	Share premium	Share-based payment reserve	Retained losses	Total
		£	£	£	£	£
At 1 September 2017		-	-	-	-	-
Issue of share capital		1	-	-	-	-
At 30 September 2018		**1**	**-**	**-**	**-**	**1**
At 1 October 2018		**1**	**-**	**-**	**-**	**1**
Loss and total comprehensive loss for the year		-	-	-	(2,606,101)	**(2,606,101)**
Issue of share capital		918	3,943,377	-	-	**3,944,295**
Transactions with owners:						
-share-based payment charge		-	-	3,861	-	**3,861**
At 30 September 2019		**919**	**3,943,377**	**3,861**	**(2,606,101)**	**1,342,056**

STATEMENT OF CASH FLOWS

As at 30 September	Note	**2019** £	**2018** £
Cash flows from operating activities			
Cash outflow from operations	12	(2,574,708)	-
Net cash outflow from operating activities		**(2,574,708)**	**-**
Cash flows from investing activities			
Purchase of intangible assets		(289,049)	-
Purchase of property, plant and equipment		(43,091)	-
Net cash outflow from investing activities		**(332,140)**	**-**
Cash flows from financing activities			
Proceeds from shares issued		3,944,295	1
Net cash inflow from financing activities		**3,944,295**	**1**
Net increase in cash, cash equivalents and overdrafts		**1,037,447**	**1**
Cash, cash equivalents and overdrafts at beginning of the year		1	-
Cash, cash equivalents and overdrafts at end of the year		**1,037,448**	**1**

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is Suite 20a, Manchester One, 53 Portland Street, Manchester, England, M1 3LD.

The principal activity of the company is to provide commercial lending products to UK small and medium sized enterprises ('SME').

The company was incorporated with a view of disrupting the UK SME lending market by providing loan facilities of between £0.5m and £5m up to 10 times faster than the large incumbent banks.

To this end it raised £4.2m of seed capital during the year to 30 September 2019 and is investing this in three core areas:

- The development of a team with an appropriate blend of skills and experience. At the year end the company had 19 employees.
- Obtaining a banking licence to enable the company to fund its lending activities via retail deposits. The company submitted its banking licence application in September 2019.
- The development of its core IT infrastructure including its commercial loan origination platform and its core banking system. At the end of the year the company had capitalised £289k as intangible fixed assets in respect of this development.

2. Significant Accounting Policies

Basis of preparation

The financial statements are prepared in accordance with IFRSs adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention. In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the company's accounting policies.

The company's principal accounting policies under IFRSs, which have been consistently applied to all years presented unless otherwise stated, are set out below.

(a) New and amended standards adopted by the company

IFRS 9 'Financial instruments', was effective from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. The standard has been applied and had no material impact on the company.

IFRS 15 'Revenue from Contracts with Customers', has been adopted from 1 January 2018. The standard establishes the principles to determine the nature, amount and timing, and uncertainty of revenue and cash flows arising from a contract with a customer. There is no revenue during the current year and as such this has had no material impact on the company.

There has been no other new or amended standards adopted which had a material impact on the company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 October 2018 and not early adopted:

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors. The standard distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees, except for short term assets and leases of low value assets.

The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The classification of cash flows will be also affected as under IAS 17 operating lease payments are presented as operating cash flows; whereas under IFRS 16, the lease payments will be split into a principal and interest portion which will be presented as operating and financing cash flows respectively.

The adoption of IFRS 16 into the opening balance sheet on 1 October 2018 does not result in a material impact to the company's balance sheet.

Going concern

The company will need to raise further equity capital to underpin its bank licence, complete the development of its IT systems, further develop the team and secure initial debt funding for its lending activities.

The directors recognise that there is no guarantee that the company will raise the requisite amount of capital and that this assumption carries material uncertainty, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are confident that the company will secure the necessary capital given the positive momentum in the company's development. This report and accounts have, therefore, been prepared on a going concern basis.

Intangible assets

Intangible assets, which comprise bespoke computer software and computer software development costs, represent the costs incurred to acquire or develop the specific software and bring it into use. These are valued at cost less subsequent amortisation.

Directly attributable costs associated with the development of software that will generate future economic benefits are capitalised as an intangible asset. Directly attributable costs include the cost of software development employees and an appropriate portion of relevant directly attributable overheads.

Computer software is amortised on a straight-line basis over its estimated useful economic life which is generally estimated to be between three and ten years.

The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date to identify any requirement for impairment.

Amortisation is charged to the statement of comprehensive income as part of administrative and operating costs.

No amortisation is recognised on intangible assets until the point at which they are ready for use.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets (greater than or equal to £500 in cost) to their estimated realisable value over their useful economic lives. The following are the principal bases used:

Office Equipment	33% per annum straight-line on cost

Computer Equipment (Hardware) 33% per annum straight-line on cost

Where assets acquired are less than £500 in cost they are fully depreciated on the date of acquisition. The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date.

All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying amount of the asset and are recognised within administrative and operating costs in the statement of comprehensive income.

Depreciation is charged to the statement of comprehensive income as part of administrative and operating costs.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All current leases held are operating leases. Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Retirement benefits - Defined contribution pension schemes

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Cash contributions to defined contribution pension schemes are charged to the statement of comprehensive income on an accruals basis.

The company contributes 8% of gross salary to permanent employees via either the auto-enrolment scheme administered by Aegon or an employee's SIPP scheme, subject to Board approval.

Corporation tax asset

The corporation tax asset reflects the amount owed from HMRC in respect of a research and development tax claim. Under HMRC rules, tax relief for allowable research and development expenditure can be realised in cash, rather than being offset against future taxable revenue, at the prevailing corporation tax rate. The company has elected to realise the benefit in cash and an amount of £252,130 is held as a corporation tax asset on the statement of financial position.

A significant accounting assumption has been made in regards to what expenditure is considered to be research and development expenditure. See note 3 below.

Unrecognised deferred tax asset

The company has an unrecognised deferred tax asset on pre-trading expenditure which will be available for future offset. This excludes the expenditure relating to research and development costs.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3. Significant accounting judgements, estimates and assumptions

In applying the accounting policies set out above, the company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

- It is assumed that the costs incurred in developing the company's IT systems, which have been capitalised as intangible fixed assets, will materially contribute to the company's objective of creating a profitable and sustainable SME-focussed lending business
- The company has judged that its core lending platform will represent a significant advancement on other systems in use in the market. As such it has included relevant research and development costs in its annual tax return and has recognised a corporation tax asset within its balance sheet of £252,130 (2018: £0). See note 8, page 19.

4. Administrative expenses

For the year ended 30 September	2019 £	2018 £
Auditor's remuneration	25,000	-
Operating lease rentals	45,130	-
Depreciation	11,349	-
Other administrative costs	2,776,752	-
Total	**2,858,231**	-

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the company's financial statements totalled £25,000 (2018: £0). Auditor's remuneration to Deloitte LLP in respect of other services was £84,000 (2018: £0).

5. Staff costs

The average monthly number of persons employed by the company (including directors) was 17.

Their aggregate remuneration, including executive directors, comprised:

For the year ended 30 September	Note	2019 £	2018 £
Aggregate gross wages and salaries paid to the company's employees		1,551,969	-
Social security costs		193,810	-
Pension fund contributions		81,354	-
Share-based payment charge	12	3,861	-
Total		**1,830,994**	-

Directors' remuneration comprised:

For the year ended 30 September	2019 £	2018 £
Emoluments	466,262	-
Company contributions to defined contribution scheme	9,415	-
Total	**475,677**	-

The emoluments of the highest paid director were £143,954 including £9,415 of company contributions to a defined contribution pension scheme.

6. Intangible assets

For the year ended 30 September	Computer Software 2019 £	Computer Software 2018 £
Cost		
At 1 October	-	-
Additions	289,049	-
At 30 September	**289,049**	-
Accumulated amortisation and impairment		
At 1 October	-	-
Charged to the statement of comprehensive income	-	-
At 30 September	-	-
Net book value at 30 September	**289,049**	-
Net book value at 1 October	-	-

Intangible assets represent externally purchased bespoke and internally developed software supporting the ongoing deployment of technology. Amortisation is not currently being applied as these assets are not fully completed and not in use by the company.

7. Property, plant and equipment

For the year ended 30 September	Office Equipment 2019 £	Office Equipment 2018 £	Computer Equipment 2019 £	Computer Equipment 2018 £	Total 2019 £	Total 2018 £
Cost						
At 1 October	-	-	-	-	-	-
Additions	16,092	-	26,999	-	43,091	-
Disposals	-	-	-	-	-	-
At 30 September	**16,092**	-	**26,999**	-	**43,091**	-
Accumulated depreciation and impairment						
At 1 October	-	-	-	-	-	-
Charged to the statement of comprehensive income	4,383	-	6,966	-	11,349	-
Disposals	-	-	-	-	-	-
At 30 September	**4,383**	-	**6,966**	-	**11,349**	-
Net book value at 30 September	**11,709**	-	**20,033**	-	**31,742**	-
Net book value at 1 October	-	-	-	-	-	-

8. Trade and other receivables

As at 30 September	2019	2018
	£	£
Current Assets		
Other receivables	6,035	-
Corporation tax asset	252,130	-
Prepayments and accrued income	26,551	-
Total	**284,716**	-

9. Trade and other payables

As at 30 September	2019	2018
	£	£
Current Liabilities		
Trade payables	169,890	-
Other payables including taxation and social security	4,809	-
Accruals	126,200	-
Total	**300,899**	-

10. Share capital

As at 30 September	2019	2018
	£	£
Authorised	**919**	**1**
1 ordinary shares of £1 each	-	1
91,936,284 ordinary shares of £0.00001	919	-
Issued, allotted and fully paid	**919**	**1**

There are no shares issued and not fully paid at the end of the year (2018: no shares).

All shares hold identical rights and therefore rank pari-passu.

11. Accounting for share based payments

The company has established a Company Share Option Plan (CSOP) which allows employees to receive remuneration in the form of share options which in the company's current early stage is referred to as the 'Build the Bank (BTB) share scheme'.

In line with IFRS 2, Share Based Payments, the value of the employee services received in exchange for share options granted is recognised as a staff cost in the income statement over the period that employees became unconditionally entitled to the awards (the vesting period). This is generally the period between the date the award is granted or notified and the vesting date of the options.

Share options granted under the BTB scheme are conditional on service conditions and the company becoming a revenue generating and deposit-taking company. No awards are linked to market performance conditions.

The overall cost of the award is calculated using the number of share options expected to vest and the fair value of options at the date of grant. The determination of fair values excludes the impact of service conditions, which are included in the assumptions used to estimate the number of shares expected to vest. At each balance sheet date, this estimate will be reassessed and revised if necessary. No revision of the original estimate was recognised in the income statement.

For equity settled options the fair value is set at the grant date and recognised as an employee expense with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards.

The fair value is determined using Black Scholes Merton valuation models which take into account the terms and conditions attached to the awards. Inputs into valuation models include the risk free interest rate and the expected volatility of the company's share price. As an unlisted entity, share price volatility is estimated using the performance of peers listed on the London Stock Exchange.

As at 30 September 2019 the Bank had the following share-based payment arrangements:

Scheme	**Overview**	**Contractual life of options**	**Method of Settlement**
Build the Bank share scheme	A one off scheme designed to reward staff involved in the earliest stages in the development of Commercial and Northern Ltd.	10 years	Equity

Option valuation

The below table summarises movements in the number of share options:

Number of options	**CSOP (BTB)**
Outstanding at 1 October 2018	-
Forfeited during the year	-
Exercised during the year	-
Granted during the year	550,000
Outstanding at 30 September 2019	**550,000**
Exercisable at 30 September 2019	-
Weighted average exercise price (pence)	10
Weighted average remaining contractual life (years)	9 years
Fair value of share awards issued during the year (pence)	2.5

The fair value of share award issued in 2019 was estimated on the grant date using the Black-Scholes-Merton formula based on the following inputs:

Black Scholes Merton model assumptions	**CSOP (BTB)**
Weighted average share price	10p
Exercise price	10p
Expected volatility (one standard deviation)	36%
Expected life (years)	3
Risk-free interest rate	0.48%

The expected share price volatility used was based on the historical volatility of listed peers, over a period equivalent to the expected life of the option.

Shares issued for services provided

The company engaged with third parties during the year to provide certain services where remuneration was fully paid in equity. The total of services remunerated in equity totalled £88,864 (2018: £0). All shares were valued at 10p which equated to the issuance of 888,864 shares.

12. Reconciliation of loss after taxation to cash generated from operations

For the year ended 30 September	**2019** **£**	**2018** **£**
Loss after taxation	(2,606,101)	-
Adjusted for:		
-taxation	(252,130)	-
-share-based payment charge/(credit)	3,861	-
-depreciation of property, plant and equipment	11,349	-
Changes in operating assets and liabilities:		
-increase in trade receivables	(32,586)	-
-increase in trade payables	300,899	-
Cash generated from operations	**(2,574,708)**	-

13. Related parties

Relationships

The company has the following related parties:

Entity	**Nature of transactions**
Gingerbread Homes & Interiors Ltd	The Company provided a full interior design service including the provision of office equipment.

Balances due to or from the above entity are interest free and repayable on demand, unless otherwise stated.

Transactions

The company had the following related party transactions during the year:

For the year ended 30 September	2019			2018		
£	Charge to income or equity	Fixed Asset Balance	Paid	Charge to income or equity	Fixed Asset Balance	Paid
Office Equipment	3,508	8,861	12,369	-	-	-
Other professional fees	2,000	-	2,000	-	-	-
Repairs & maintenance	1,950	-	1,950	-	-	-
	7,458	8,861	16,319	-	-	-

14. Subsequent events

No significant events have occurred between the end of the financial year and the date of signing of this report and accounts.