OakNorth Bank Limited

(formerly OakNorth Limited)

Report and Financial Statements

for the period from 3 July 2013 to

31 December 2014

Registered number: 08595042

Contents

OakNorth Bank Limited
(formerly OakNorth Limited)

Directors' report

The Directors submit their Report and Financial Statements for the period from 3 July 2013 to 31 December 2014.

Principal activity and review of the business

OakNorth Bank Limited (formerly OakNorth Limited) (herein referred to as the "Company" or the "Bank") was incorporated on 3 July 2013 for the purpose of becoming a UK Bank focused on servicing growing Small and Medium Sized Enterprises ('SMEs'). The Company's strategy includes offering a wide range of lending and savings' products to assist UK Small and Medium Enterprises (SMEs) in financing their future growth while offering attractive savings' products to retail customers interested in funding such growth.

The Company has been authorised by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to trade as OakNorth Bank with effect from 6 March 2015 under Option B of PRA's revised authorisation process, as set out in the March 2013 Bank of England/FSA document "A review of requirements for firms entering into or expanding in the banking sector". This means that the Bank has now entered the Mobilisation Stage of the authorisation process with restrictions. The purpose of the Mobilisation Stage, whilst allowing the Bank the certainty of being authorised, is to complete the build-out of a fully functioning bank. During this period the Bank is required to implement the mobilisation plan as agreed with the PRA and the FCA, and satisfy the PRA and FCA that the Bank has been successfully mobilised for the restriction to be lifted and full banking activities to begin.

Future developments and events after the balance sheet date

Shareholder funds were added ahead of the authorisation process and more sums added post authorisation. Details are set-out in note 16 to the financial statements.

Companies House approved the change of name from OakNorth Limited to OakNorth Bank Limited with effect from 15 March 2015. The Company's sole shareholder is OakNorth Holdings Limited, Jersey, a Company incorporated in Jersey.

Details of future developments and events that have occurred after the balance sheet date can be found in note 16 to the financial statements.

Going concern

Following the additional equity capital injections as set-out in note 16 to the financial statements, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. The Bank has maintained a stable liquid position with a strong equity base which consists of fully subscribed share capital. Thus, the Directors continue to adopt the going concern basis in preparing these financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Financial risk management objectives and policies

The Company's activities, which to date, mainly comprise setting up the Bank in the UK expose it to liquidity risk and credit risk. The Company does not use derivative financial instruments for speculative purposes.

Credit risk

The Company's principal financial assets are bank balances and receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has established additional banking relationships to limit the extent of concentration of credit risk.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company uses its equity share capital.

Further details regarding liquidity risk can be found in the statement of accounting policies in the financial statements.

Currency risk

The Company's transactions are mainly dealt in currencies denominated in GBP, USD and EUR. Consequently, the Company is exposed to the risk that the exchange rate of the GBP relative to the foreign currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in the foreign currencies. However, as of the current stage, the transactions in foreign currency are not significant and as such, it is estimated that a marginal increase or decrease in the exchange rate of the GBP relative to the foreign currencies would not have a significant impact on the Company's loss before tax.

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its operations in a manner that seeks to exploit the potential gains in the market while limiting its exposure to market declines.

Interest rate risk

The Company finances its operations through equity.

Dividends

The Directors do not recommend payment of a dividend.

Directors

The composition of the Board of Directors who served throughout the period, except as noted, is as follows:

Name of Director	Date of appointment as a Director	Date of resignation as Director
Rishi Khosla	18 Dec 13	-
Joel Perlman	18 Dec 13	-
Murali Mohan Reddy	08 Jan 15	-
Robert Burgess	01 Jan 15	-
Lord Adair Turner	08 Jan 15	-
Ratan Engineer	08 Jan 15	-
Chris Dailey	01 Aug 14	31 Jan 15
Neeraj Beri	03 Jul 13	18 Dec 13
Richard Davies	18 Nov 13	21 Jul 14
Clive Moore	21 Jul 14	03 Nov 14

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

Directors' report (continued)

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

Joel Perlman
Director
27 March 2015

First Floor, Alexandra Buildings
28, Queen Street, Manchester
England, M2 5HX

OakNorth Bank Limited
(formerly OakNorth Limited)

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report including 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 period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping 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 to 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.

Approved by the Board and signed on its behalf by:

Joel Perlman
Director
27 March 2015

First Floor, Alexandra Buildings
28, Queen Street, Manchester
England, M2 5HX

Independent auditor's report to the members of OakNorth Bank Limited (formerly OakNorth Limited)

We have audited the financial statements of OakNorth Bank Limited (formerly OakNorth Limited) for the period ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the from 3 July 2013 (date of incorporation) to 31 December 2014;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of OakNorth Bank Limited (formerly OakNorth Limited)(continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

Caroline Britton

Caroline Britton, Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 March 2015

OakNorth Bank Limited
(formerly OakNorth Limited)
Statement of Total Comprehensive Income
For the period from 3 July 2013 to 31 December 2014

	Notes	Period ended 2014 £
Employee costs	7	150,297
Administrative expenses		30,260
Other operating expenses		73,585
Operating loss		(254,142)
Finance costs		(764)
Loss before tax		(254,906)
Tax	10	-
Loss for the period attributable to the owners of the Company	5	**(254,906)**
Other comprehensive income		-
Total Comprehensive loss for the period attributable to Owners of the Company		**(254,906)**

All results are from continuing operations.

OakNorth Bank Limited
(formerly OakNorth Limited)
Balance sheet
As at 31 December 2014

	Notes	2014 £
Non-current assets		
Intangible assets	8	1,018,543
Property, plant and equipment	9	9,147
		1,027,690
Current assets		
Cash and bank balances		104,657
Prepayments		2,587
Other current assets		1,920
		109,164
Total assets		1,136,854
Current liabilities		
Trade and other payables	11	195,367
Provisions	12	16,392
		(211,759)
Total liabilities		(211,759)
Net assets		**925,095**
Equity		
Share capital	13	1,180,001
Retained earnings	14	(254,906)
Equity attributable to owners of the Company		**925,095**

The financial statements of OakNorth Bank Limited (formerly OakNorth Limited) (Registration No. – 08595042) were approved by the Board of Directors and authorised for issue on 27 March 2015. They were signed on its behalf by:

Joel Perlman
Director

Murali Mohan Reddy
Chief Financial Officer

OakNorth Bank Limited
(formerly OakNorth Limited)
Statement of changes in equity
For the period from 3 July 2013 to 31 December 2014

	Share Capital £	Retained Earnings £	Total £
Balance at 3 July 2013	1	-	**1**
Loss for the period	-	(254,906)	**(254,906)**
Other comprehensive income for the period	-	-	**-**
Total comprehensive loss for the period	1	(254,906)	**(254,905)**
Issue of share capital	1,180,000	-	**1,180,000**
Balance at 31 December 2014	1,180,001	(254,906)	**925,095**

OakNorth Bank Limited
(formerly OakNorth Limited)
Cash flow statement
For the period from 3 July 2013 to 31 December 2014

	Period ended 2014 £
Operating activities	
Loss for the period before tax	(254,906)
Adjustments for:	
Depreciation	830
Operating cash flows before movements in working capital	(254,076)
Increase in receivables	(4,507)
Increase in payables	211,759
Cash generated by operations	(46,824)
Income taxes paid	-
Net cash used in operating activities	**(46,824)**
Investing activities	
Purchases of property, plant and equipment	(9,977)
Development of Intangible assets	(1,018,543)
Net cash used in investing activities	**(1,028,520)**
Financing activities	
Proceeds on issue of shares	1,180,001
Net cash from financing activities	**1,180,001**
Net increase in cash and cash equivalents	104,657
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	**104,657**

1. General information

OakNorth Bank Limited (formerly OakNorth Limited) is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is First Floor, Alexandra Buildings, 28 Queen Street, Manchester, England. The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 3 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. These financial statements are the first financial statements of the Company and have been drawn from 3 July 2013, the date of incorporation, to 31 December 2014.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, as the Company does not have any subsidiary.

2. Adoption of new and revised Standards

Certain Adopted IFRSs have been issued prior to the date of approval of these financial statements but are not effective for the financial period ended 31 December 2014. The Company does not intend to apply any of such pronouncements earlier than their respective effective dates. Those relevant to the Company are:

Adopted IFRSs and Interpretations	Effective date
IFRS 9 'Financial Instruments'	Mandatory for year commencing on or after 1 January 2015

Based on the Company's current business model and accounting policies, management does not expect any material impact on the Company financial statements when these new Adopted IFRSs become effective.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability as if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. Significant accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report on pages 3 to 4.

The Company is expected, in future, to generate positive cash flows on its own account for the foreseeable future.

The Directors, having assessed the responses of the Directors of the Company's parent OakNorth Holdings Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of OakNorth Holdings Limited, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

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

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Operating loss

Operating loss is stated after charging restructuring costs but before investment income and finance costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

3. Significant accounting policies (continued)

Taxation

The Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

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 taxable profit nor the accounting profit.

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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Fixtures, fittings and computer and IT equipments are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures and fittings	5 years
Computers and IT equipments	3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales' proceeds and the carrying amount of the asset and is recognised in income.

3. Significant accounting policies (continued)

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

Amortisation is recognised so as to write off the cost or valuation of assets (other than intangible assets under development) less their residual values over their useful lives, using the straight-line method, on the following bases:

Core banking platform	5 years
Banking License	10 years

De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

3. Significant accounting policies (continued)

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

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

Loans and receivables

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

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant accounting policies (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

As described above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Recoverability of internally-generated intangible asset

During the period, management reconsidered the recoverability of its internally-generated intangible asset which is included in its balance sheet at £1,018,543. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project.

Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

5. Loss for the period

Loss for the period from 3 July 2013 to 31 December 2014 has been arrived at after charging:

	Period ended 2014 £
Net foreign exchange losses	502
Depreciation of property, plant and equipment	830
	1,332

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts was £9,600 including VAT.

Non-audit fees of £126,205 including VAT have been paid by the Company to Deloitte LLP during the period for provision templates of documents for submission of the banking application.

7. Staff costs

The average monthly number of employees (including executive Directors) was:

	2014 Number
Employees	4
	4

Their aggregate remuneration comprised:

	Period ended 2014 £
Wages and salaries	129,912
Social security costs	16,465
Other costs	3,920
	150,297

8. Intangible assets

	Core Banking Platform £	Bank License £	Total £
Cost			
At 3 July 2013	-	-	-
Additions	771,727	246,816	1,018,543
At 31 December 2014	771,727	246,816	1,018,543
Amortisation			
At 3 July 2013	-	-	-
Charge for the period	-	-	-
At 31 December 2014	-	-	-
Carrying amount			
At 31 December 2014	771,727	246,816	1,018,543
At 3 July 2013	-	-	-

The amortisation period for development costs incurred on the Company's Core Banking Platform and Bank License is 5 years and 10 years respectively. However, the amortisation will commence after the bank build mobilisation phase. Development costs include staff costs where they can be directly attributed to the development of the Core Banking Platform or bank license.

9. Property, plant and equipment

	Computer and IT equipments £	Fixtures and fittings £	Total £
Cost			
At 3 July 2013	-	-	-
Additions	7,546	2,431	9,977
Disposals	-	-	-
At 31 December 2014	7,546	2,431	9,977
Accumulated depreciation			
At 3 July 2013	-	-	-
Charge for the period	694	136	830
Eliminated on disposals	-	-	-
At 31 December 2014	694	136	830
Net Carrying amount			
At 31 December 2014	6,852	2,295	9,147
At 3 July 2013	-	-	-

10. Deferred tax

At the balance sheet date, the Company has unused tax losses of £254,906 available for offset against future profits. A deferred tax asset has not been recognised in respect of such losses. The current period is the first period of operation and considering that the Company is new in business, management feels it is prudent not to recognise a deferred tax asset on the above unused tax losses until the Company starts profitable business.

11. Trade and other payables

	2014 £
Trade creditors	156,797
Accruals	34,869
Payable to Directors and employees	3,701
	195,367

The Directors consider that the carrying amount of trade payables approximates to their fair value.

12. Provisions

	2014 £
Current leave provision	16,392
	16,392

	Leave Provision £	Total £
At 3 July 2013	-	-
Additional provision in the period	16,392	16,392
At 31 December 2014	16,392	16,392

The leave provision represents management's best estimate of the Company's liability under a 12-month period from leaves availment/encashment by employees.

13. Share capital

	2014 £
Authorised, issued and fully paid:	
1,180,001 ordinary shares of £1 each	1,180,001

The Company has one class of ordinary shares which carry no right to fixed income.

Ordinary shares allotted during the period

Date of allotment	Number of shares	Total £
3 July 2013	1	1
8 November 2013	60,000	60,000
26 November 2013	120,000	120,000
4 April 2014	40,000	40,000
23 April 2014	80,000	80,000
23 June 2014	200,000	200,000
4 August 2014	100,000	100,000
17 September 2014	100,000	100,000
26 September 2014	180,000	180,000
7 November 2014	300,000	300,000
Total	1,180,001	1,180,001

14. Retained earnings

	£
Balance at 3 July 2013	-
Net loss for the period	(254,906)
Balance at 31 December 2014	**(254,906)**

15. Operating lease arrangements

	2014 **£**
Lease payments under operating leases recognised as an expense in the period	5,789

Operating lease payments represent rentals payable by the Company for its office premises. The Company does not have any non-cancellable operating leases.

16. Events after the balance sheet date

The significant developments with the Company subsequent to the period end are as below

1. The Company has been authorised by the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) to operate as a bank. The Company has now entered into the mobilisation phase and expects to start accepting deposits in July 2015.

2. Pursuant to the authorisation to operate as a bank, the name of the Company has been changed from 'OakNorth Limited' to 'OakNorth Bank Limited'.

3. The shareholders of the Company – OakNorth Holdings Limited, Jersey have subscribed for 8,618,000 shares of £ 1 each and the capital as on the date of signing of these financials is £ 9,798,001.

4. The Company has entered into a long term lease in Manchester for a period of five years subsequent to the period end.

17. Related party transactions

Transactions with related parties include contract charges for services provided by Copal Partners UK Limited of £7,800 and the subscription of share capital by the holding Company of £1,180,001, as disclosed on the face of the balance sheet.

17. Related Party Transactions (continued)

Trading transactions

During the period, the Company entered into the following trading transactions with related parties:

	Subscription of shares 2014 £	Purchase of services 2014 £
OakNorth Holdings Limited, Jersey	1,180,001	-
Copal Partners (UK) Limited	-	7,800

The following amounts were outstanding at the balance sheet date:

	Equity outstanding 2014 £	Amounts owed to related parties 2014 £
OakNorth Holdings Limited, Jersey	1,180,001	-
Copal Partners (UK) Limited	-	7,800

OakNorth Holdings Limited, Jersey is a related party of the Company because it is the holding Company. Copal Partners (UK) Limited is a related party because OakNorth and Copal had Directors in common as at 31 December 2014.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2014		
	Total amount paid/payable £	Amount capitalised (see note 8) £	Net amount expensed £
Employee costs	219,700	145,488	74,212
Short-term employee benefits	5,055	3,792	1,263
Other emoluments	23,660	23,660	-
	248,415	**172,940**	**75,475**

17. Related Party Transactions (continued)

The Directors' remuneration, analysed under the headings required by Company law is set out below.

Directors' remuneration

	2014 Total amount paid/payable	2014 Amount capitalised (see note 8)	2014 Net amount expensed
	£	£	£
Emoluments	219,700	145,488	74,212
Short-term employee benefits	5,055	3,792	1,263
Other emoluments	23,660	23,660	-
	248,415	**172,940**	**75,475**

	2014 Total amount paid	2014 Amount capitalised (see note 8)	2014 Net amount expensed
	£	£	£
Remuneration of the highest paid Director:			
Emoluments	141,116	86,550	54,566

Directors' transactions

No transactions were entered into with the Directors by the Company.

18. Financial instruments

Measurement

The Company's assets and liabilities include cash and cash equivalents, trade payables and other payables, which are realised or settled within a short-term period. The carrying amounts of these assets and liabilities approximate to their fair values.

Associated risks

The Company's activities expose it to various types of risk, which are associated with the financial instruments and the markets in which it operates. The following is a summary of the main risks:

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its operations in a manner that seeks to exploit the potential gains in the market while limiting its exposure to market declines.

18. Financial Instruments (continued)

Currency risk

The Company's transactions are mainly dealt in currencies denominated in GBP, USD and EUR. Consequently, the Company is exposed to the risk that the exchange rate of the GBP relative to the foreign currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in the foreign currencies. However, as of the current stage, the transactions in foreign currency are not significant and as such, it is estimated that a marginal increase or decrease in the exchange rate of the GBP relative to the foreign currencies would not have a significant impact on the Company's loss before tax.

Currency profile

Cash and cash equivalents

	As at 31 December 2014 £
Great Britain Pound (GBP)	104,657

Trade payables

	As at 31 December 2014 £
Great Britain Pound (GBP)	164,293
United States Dollar (USD)	170
Euro (EUR)	30,904

Credit risk

The Company is yet to commence trading with its customers and is not exposed to credit risk.

Interest rate risk

The Company finances its operations through equity.

At period end, the Company held cash at bank of £ 104,657. It is estimated that a marginal decrease in deposit interest rates would not have a significant impact on the Company's loss before tax.

Liquidity risk

The Company actively manages its cash flow position, operating cash flows and availability of cash. It maintains adequate bank balances to finance its operations. The Company has not entered into any derivative transactions in either period.

19. Controlling party

In the opinion of the Directors, the Company's ultimate parent Company and ultimate controlling party is The Hardya Ram Trust, Mauritius. The Company's immediate controlling party is OakNorth Holdings Limited, Jersey.