8 September 2014

ClearStar, Inc.
("ClearStar" or the "Company")

Interim Results for Six Months Ended 30 June 2014

ClearStar (AIM: CLST), a leading technology and service provider to the background check industry, is pleased to announce its unaudited results for the six months ended 30 June 2014.

Financial Highlights:

- Revenues increased by 43% to $5.24 million (H1 2013: $3.66 million)
    - Channel Partners and Consumer Reporting Agencies ("CRAs") sales increased to $3.19 million (H1 2013: $2.75 million), a year-on-year increase of 16%
    - Medical Information Services sales increased to $1.86 million (H1 2013: $0.77 million), a year-on-year increase of 141%
    - Direct Services sales increased to $150,000 (H1 2013: $108,000), a year-on-year increase of 39%
- Gross profit increased by 32% to $3.05 million (H1 2013: $2.31 million)
- Net cash from operating activities increased 21-fold to $1.30 million (H1 2013: $0.06million)
- Adjusted EBITDA increased to $0.66 million, or 12.6% of sales, compared with $0.43 million, or 11.8% of sales, for the same period of the previous year
- Adjusted pre-tax profit* increased to $0.49 million, or 9.4% of sales (H1 2013: $0.31 million or 8.4% of sales)
- Cash and cash equivalents at 30 June 2014 were $0.52 million (31 December 2013: $0.29 million; 30 June 2013: $0.09 million)

* Adjusted pre-tax profit means net of one-time IPO related cost of $0.53 million, which is included in the other nonrecurring general and administrative line of the financial statements

Operational Highlights:

- Increased activity in all segments with greater volume of business being generated from some of the Company's largest customers
- Processed approximately 3.2 million screening services on over 1 million people that were provided to over 21,000 end users
- Medical Information Services division launched new product offerings, such as clinical testing, and gained many new clients
- Commenced building the Direct Sales Division, including hiring and training five sales people
- Opened a new office in London, U.K., and began establishing an International Business segment

Post-period end developments:

- Raised gross proceeds of approximately $15 million through an initial public offering ("IPO") on AIM in July 2014
- Strong cash balance of approximately $12 million to fund future growth
- Numerous sales contract won, including the largest direct sales contract to date

Robert Vale, CEO of ClearStar, commented: "We are delighted with our performance in the first half of 2014. We achieved strong organic revenue growth and opened a London office to focus on our international expansion. Looking ahead, we have entered the second half of the year with good visibility of revenues as the growth momentum seen in the first half of the year continues. Our focus is on maintaining our strong organic growth in all divisions and building our brand globally. As a result, the Board feels confident of delivering significant growth across all divisions for full year 2014."

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About ClearStar

ClearStar is a technology and service provider to the background check industry, supporting background screening companies, employers and employees with their recruitment and employment application decisions. ClearStar provides employment intelligence to its clients through a suite of IT applications for day-to-day use in their business. Employment intelligence aims to improve business insight to support better recruitment and other decisions affecting employees generally, by increasing the quality, reliability and visibility of information available to management.

The Directors believe that they offer one of the most complete independent IT application suites that provide employment intelligence. The suite comprises of a collection of applications which utilises data from over 3,000 sources ranging from résumés to records with local authorities. The Group's primary business involves searching the relevant source of data for specific employment intelligence information based on clients' bespoke requirements for its employment applicants. The Group extracts the required input and this information is then processed, allowing the client to make a swift decision in respect of the relevant applicant, thereby minimising bottlenecks in the hiring process. ClearStar's 'Aurora' platform has delivered employment intelligence to over 20,000 employers including Toyota, Wrigley, Angie's List, University of Pennsylvania, IBM, University of Miami, ADP, FedEx and Six Flags.

www.clearstar.net

CEO Statement

ClearStar is delighted to announce its results for the six months ended 30 June 2014. During the period, the Company achieved strong growth across all of its divisions as revenues increased by 43% to $5.24 million (H1 2013: $3.66 million). This was the result of increased business from some of the Company's largest customers, new customer wins and new product offerings.

The first half of 2014 saw ClearStar continuing to offer one of the most complete independent IT application suites that provides employment intelligence. Employment intelligence aims to improve business insight to support better recruitment and other decisions affecting employees generally by increasing the quality, reliability and visibility of information available to management.

In order to satisfy the demand for the business application suite as part of the background screening process, the Company has the following three principal business process channels:
a) Channel Partners and CRAs
b) Medical Information Services
c) Direct Services

Channel Partners and CRAs
In this segment, ClearStar provides white labelling technology. Data logistics services are provided to CRAs and Channel Partners who use the Company's technology to perform background checks on job applicants.

In H1 2014, revenues in this segment increased by 16% to $3.19 million (H1 2013: $2.75 million). This was primarily as a result of increased business from some of the Company's largest customers but also included new customer wins.

Medical Information Services ("MIS")
In this segment, ClearStar provides services, largely directly to employers, for the purpose of drug and alcohol tests. In H1 2014, revenues in MIS increased by 141% to $1.86 million (H1 2013: $0.77 million). The main factors that contributed to the large increase were additional product offerings such as clinical testing, increased steroid testing and new clients. During the period, ClearStar brought on several new clients and facilitated current clients with increasing their volumes.

Direct Services
In this emerging segment, ClearStar provides retail background check services directly to employers. In H1 2014, revenues in this segment increased by 39% to $150,000 (H1 2013: $108,000). Post period, ClearStar signed an approximately $100,000 annualised agreement with a major U.S. logistics company.

Post-Period End Activity

Admission to AIM
In July 2014 ClearStar successfully completed its IPO on AIM, a market operated by the London Stock Exchange plc, raising approximately $15 million in gross proceeds.

The Directors of ClearStar believe that its listing on AIM will enhance the Company's credibility and profile within its marketplace and will assist the growth in its business. The proceeds are intended to provide the Company with working capital to fund its continued operations in marketing spend in order to acquire customers, whilst also building out the ClearStar's international network, and to fund continued R&D investment in its platform. The listing will also provide the Company with access to capital to support its strategic objectives, if suitable acquisition or other opportunities arise. Acquisitions may be pursued where the Directors consider that there is clear value through the addition of expertise, customers, monetisation potential or geographic footprint.

Financial Review

The Company recorded a strong financial performance, with total revenue increasing by 43% for the first six months of 2014 to $5.24 million, compared with $3.66 million for the first six months of 2013.

Gross profit increased by 32% for the first six months of 2014 to $3.05 million (H1 2013: $2.31 million). Gross profit margin was 58.1% compared with 63.2% for the same period of the previous year. The decrease was primarily due to the shift in the product mix with an increased contribution to revenues from MIS, which has a lower gross margin than services to CRAs and Channel Partners. Management believes gross margin will improve due to on-going technology improvements and cost reductions among suppliers.

Total operating expenses, net one-time IPO related costs of $0.53 million which is included in the other nonrecurring general and administrative line of the financial statements, increased by 27% for the first six months of 2014 to $2.55 million (H1 2013: $2.00 million). The increase was primarily as a result of building the sales team, opening a U.K. office and technology development.

The Company achieved an adjusted profit before taxes of approximately $0.49 million, compared with a profit before tax of approximately $0.31 million for the same period of the prior year.

Net cash from operating activities increased 21-fold to $1.30 million (H1 2013: $0.06 million) and cash and cash equivalents at 30 June 2014 were $0.52 million (31 December 2013: $0.29 million; 30 June 2013: $0.09 million).

Outlook

ClearStar has entered the second half of 2014 with good visibility of revenues as the growth momentum seen in the first half of the year continues. The Company's focus is on maintaining its strong organic growth in all divisions and building its brand globally. The market for background screening and employment intelligence remains robust, and the Company intends to continue to invest in technology and people to take advantage of global opportunities for future growth.

Post period end, the Company successfully raised approximately $15 million and is already deploying funds to execute its growth strategy. In addition to investing in people, technology and expansion in the U.S., the Company is seeking to accelerate organic international growth – particularly in the U.K. Furthermore, if the right opportunity arose, the Company would also seek to grow through value-enhancing acquisitions.

As a result, the Board feels confident of delivering significant organic growth in all divisions for full year 2014 compared with 2013.

CLEARSTAR, INC.
Statements of Operations
(USD, in thousands)

	Six Months Ended 30 June 2014 (unaudited)	Six Months Ended 30 June 2013 (unaudited)	Year Ended 31 December 2013
	$	$	$
Net revenue	5,242	3,663	7,972
Cost of revenue	2,194	1,349	3,074
Gross profit	3,048	2,314	4,898
Operating expenses			
Selling and marketing	43	61	117
Research and development	29	141	81
Depreciation and amortization	160	117	278
General and administrative	2,315	1,679	3,697
Other nonrecurring general and administrative	526	-	-
Total operating expenses	3,072	1,997	4,174
Income (Loss) from operations	(24)	317	722
Other expense			
Interest expense	8	7	(14)
Total other expense	8	7	(12)
Net income (loss)	(32)	310	710

The accompanying notes are an integral part of the financial statements.

CLEARSTAR, INC.
Balance Sheets
(USD, in thousands)

	As of 30 June 2014 (unaudited)	As of 30 June 2013 (unaudited)	As of 31 December 2013
	$	$	$
ASSETS			
Current assets			
Cash and cash equivalents	516	87	285
Accounts receivable - trade, net of allowance for doubtful accounts of $0, $3, and $0, respectively	288	242	103
Unbilled receivables	969	683	561
Research and development tax credits	122	-	122
Prepaid expenses	104	108	44
Prepaid IPO costs	975	-	-
Due from shareholders	33	-	33
Other current assets	2	-	-
Total current assets	3,007	1,121	1,147
Property and equipment, at cost			
Computer equipment	570	329	349
Furniture and fixtures	48	26	25
Leasehold improvements	15	11	11
Less accumulated depreciation	(335)	(226)	(297)
Total property and equipment, net	298	141	88
Other assets			
Capitalised software development costs, net	696	180	468
Deposits	10	-	4
Total other assets	707	180	472
Total assets	4,012	1,442	1,707
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	1,486	291	17
Accrued liabilities	789	36	344
Deferred revenue	41	34	33
Current portion of long-term debt	36	36	36
Current portion of obligations under capital lease	43	20	-
Due to shareholder	43	7	58
Other current liabilities	40	-	-
Total current liabilities	2,477	425	488
Long-term liabilities			
Obligations under capital lease, net of current portion	151	-	-
Long-term debt, net of current portion	130	162	147
Total long-term liabilities	281	162	147
Stockholders' equity			
Common stock, no par value; 10,000, 1,000, and 1,000 shares authorised, respectively; 1,036.27, 1,000, and 1,000 shares issued and outstanding, respectively	647	332	332
Additional paid-in capital	15	15	15
Retained earnings	593	509	725
Stockholders' equity	1,254	856	1,071
Total liabilities and stockholders' equity	4,012	1,442	1,707

The accompanying notes are an integral part of the financial statements.

CLEARSTAR, INC.
Statements of Changes in Stockholders' Equity
(USD, in thousands, except no. of shares)

	Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
	No.	$	$	$	$
Balances at 31 December 2012	**1,000.00**	**332**	**15**	**200**	**546**
Distributions	-	-	-	-	-
Net income	-	-	-	310	310
Balances at 30 June 2013 (unaudited)	**1,000.00**	**332**	**15**	**509**	**856**
Distributions	-	-	-	(185)	(185)
Net income	-	-	-	400	400
Balances at 31 December 2013	**1,000.00**	**332**	**15**	**725**	**1,071**
Stock issued for cash	36.27	315	-	-	315
Distributions	-	-	-	(100)	(100)
Net loss	-	-	-	(32)	(32)
Balances at 30 June 2014 (unaudited)	**1,036.27**	**647**	**15**	**593**	**1,254**

The accompanying notes are an integral part of the financial statements.

CLEARSTAR, INC.
Statements of Cash Flows
(USD, in thousands)

	Six Months Ended 30 June 2014 (unaudited)	Six Months Ended 30 June 2013 (unaudited)	Year Ended 31 December 2013
	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	(32)	310	710
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in allowance for doubtful accounts	-	-	(3)
Depreciation and amortization	160	117	278
Change in operating assets and liabilities:			
Accounts receivable	(185)	(82)	61
Unbilled accounts receivable	(408)	(299)	(177)
Research and development tax credits	-	-	(122)
Other current assets	(2)	-	-
Prepaid expenses	(60)	(88)	(24)
Deposits	(7)	-	(4)
Accounts payable	1,442	252	(23)
Payroll and accrued expenses	345	(153)	155
Deferred revenue	8	-	(1)
Other current liabilities	40	-	-
Total adjustments	1,333	(255)	139
Net cash provided by operating activities	1,301	55	849
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(47)	(28)	(50)
Proceeds from disposition of property and equipment			2
Capitalised software development costs	(350)		(376)
Net advances made on amounts due from (to) shareholders	10	(22)	(3)
Net cash used for investing activities	(387)	(50)	(427)
CASH FLOWS FROM FINANCING ACTIVITIES			
Prepaid IPO financing costs	(975)	-	-
Principal payments on long-term debt	(18)	-	(15)
Principal payments on capital lease obligations	(6)	(25)	(45)
Proceeds from issuance of stock	315	-	-
Stockholder distributions	-	-	(185)
Net cash used for financing activities	(684)	(25)	(245)
Net cash increase (decrease) for period	230	(21)	178
Cash at beginning of period	285	108	108
Cash at end of period	**516**	**87**	**285**

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL INFORMATION

1. Summary of significant accounting policies

a) Nature of Operations

ClearStar, Inc. (''ClearStar US''), an S Corporation, was formed on 23 March 1995. ClearStar US is a technology and service provider to the background check industry, including employers and background screening companies located primarily in the United States of America.

ClearStar US was originally named Compass Clarity, Inc. Effective 28 September 2010, Compass Clarity, Inc. changed its operating name to ClearStar, Inc.

b) Basis of Accounting

The Historical Financial Information has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (''US GAAP'').

ClearStar Logistics, Inc., an entity that was owned by the shareholders of ClearStar US, was formed in 2007 as an S Corporation, to enter into certain supplier and customer contracts relating to background checks. Beginning in 2010, the revenues and costs relating to all the contracts of ClearStar Logistics, Inc. were recorded in the books of ClearStar US, as all the corresponding operations relating to the contracts were conducted by ClearStar US. On 27 June 2014, ClearStar Logistics, Inc. and ClearStar US merged with ClearStar US being the surviving entity. All of the outstanding shares of capital stock of ClearStar Logistics, Inc. were cancelled and ClearStar US became successor to and acquired all of ClearStar Logistics, Inc.'s right, title and interest in and to its assets and assumed all of its liabilities and obligations. The merger was a non-taxable event for each of ClearStar Logistics, Inc. and ClearStar US. As such, the financial statements of ClearStar US represent all of the trading activities, assets and liabilities of ClearStar US and ClearStar Logistics, Inc.

c) Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, the allowance for doubtful accounts, depreciable lives of property and equipment, certain accrued liabilities, and capitalised software development costs. Actual results could differ from these estimates.

d) Cash and Cash Equivalents

Cash comprises cash held on call with banks and cash in hand. Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within 90 days of purchase.

e) Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

ClearStar US maintains cash balances at a financial institution. The account is insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time, ClearStar US's cash balance exceeds such limits. ClearStar US has not experienced any losses in such accounts. ClearStar US believes it is not exposed to any significant risks on cash.

f) Accounts Receivable

ClearStar US extends credit to customers located primarily throughout North America based on the size of the customer, its payment history, and other factors. ClearStar US generally does not require collateral to support customer receivables. ClearStar US provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. ClearStar US determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectable by management. The maximum accounting loss from the credit risk associated with accounts receivable is the amount of the receivable recorded, which is the face amount of the receivable, net of the allowance for doubtful accounts.

g) Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalised. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is recognised.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computer equipment	3 years
Furniture and fixtures	5 – 7 years
Leasehold improvements	Lesser of estimated useful life or life of the lease

Depreciation expense for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013 totalled $37,939, $28,200 and $100,324, respectively.

h) Software Development Costs

In accordance with the US GAAP, ClearStar US has capitalised external direct costs of services consumed in developing and obtaining internal-use computer software and the payroll and payroll-related costs for employees who are directly associated with and who devote time to developing the internal-use computer software.

Management’s judgment is required in determining the point at which various projects enter the application development stage at which costs may be capitalised, in assessing the ongoing value of the capitalised costs, and in determining the estimated useful lives over which the costs are amortised. Costs in relation to the preliminary stages of projects are expensed in the period in which they are incurred. ClearStar US expects to continue to invest in internally developed software and to capitalise costs in accordance with US GAAP.

ClearStar US’s capitalised software development costs were approximately $1,071,000, $345,000 and $721,000 with related accumulated amortisation of approximately $375,000, $164,000 and $253,000 for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013, respectively. Amortisation expense for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013, was approximately $122,000, $89,000 and $178,000, respectively. Capitalised software development costs are amortised over three years.

Approximate aggregate future amortisation expense is as follows:

Year Ending 30 June

	Amount $000
2015	339
2016	242
2017	115
	696

i) Impairment of Long-lived Assets

The carrying value of long-lived assets, which primarily include property and equipment and capitalised software development costs, are evaluated periodically for impairment when impairment indicators are present. Future undiscounted cash flows of the underlying assets are compared to the assets' carrying values. Adjustments to fair value are made if the sum of the expected future undiscounted cash flows are less than book value. To date, no adjustments for impairment have been made.

j) Revenue Recognition

ClearStar US requires that four basic criteria be met before revenue can be recognised for all transactions: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) delivery has occurred. Fixed monthly fees are derived primarily from customers' use of services that are provided for an agreed number of transactions. Arrangements for these services generally have terms of one year or less and the fixed monthly fees are recognised as services are provided. One-time setup fees are recognised based on ClearStar US's configuring and activating customers on internal and third party systems. ClearStar US recognises one-time setup fees revenue ratably over 12 months or the period beyond which the initial contract term is expected to extend and the customer continues to benefit, whichever is longer. Annual certification fees are billed annually and are recognised ratably over the contract period.

Deferred revenue consists of payments received in advance of revenue recognition and contractual billings in excess of recognised revenue.

Unbilled receivables consist of revenue earned but not yet invoiced. Such amounts are billed during the following month.

k) Advertising

ClearStar US expenses advertising costs as incurred. Advertising expenses were approximately $43,000, $61,000 and $117,000 for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013, respectively.

l) Income Taxes

ClearStar US, with the consent of its stockholders, has elected under the Internal Revenue Code and similar state statutes to be an S Corporation. In lieu of federal corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of ClearStar US's taxable income. Therefore, no provision for income taxes has been included in the historical financial information. In addition, management has assessed the tax positions of ClearStar US and determined that there is a less than 51 per cent. likelihood that a tax position will not be sustained in an examination by the applicable taxing authority resulting in a tax liability to ClearStar US.

ClearStar US is not subject to income tax examinations for years ending prior to 31 December 2010.

Following the merger described in Note 1b of the footnotes and effective 1 July 2014, ClearStar US will cease to be an S Corporation and will become liable for corporate income taxes (see Note 8).

m) Research and Development Tax Credits

ClearStar US claims research and development tax credits from the State of Georgia in relation to qualifying expenditure incurred which can be offset against state payroll taxes. The tax credits recognised and offset against payroll costs in operating expenses were $ nil, $ nil and $121,969 for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013, respectively.

n) Reclassifications

Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current period's format. These reclassifications have no effect on previously reported net income

2. Long-term Debt and Lines of Credit

During 2011, ClearStar US had two lines of credit of $150,000 and $250,000 with a financial institution. The revolving lines of credit carried variable interest rates of 1.5 per cent. above the lender's prime rate and renewed on an annual basis. Both lines of credit were collateralised by accounts receivable and equipment and were personally guaranteed by two Shareholders.

On 30 July 2013, ClearStar US refinanced the outstanding balance on the lines of credit with the same financial institution through a term loan. The amount refinanced under the term loan was $198,405 and carried a fixed interest rate equal to 5.42 per cent. per annum with a maturity date of 30 July 2018. The term loan was collateralised by substantially all the assets of ClearStar US and is personally guaranteed by two Shareholders. In July 2014, the term loan was paid in full.

Long-term debt and lines of credit comprised the following:

	As of 30 June 2014 $000	As of 30 June 2013 $000	As of 31 December 2013 $000
Term loan payable in monthly instalments of principal and interest of $3,790	166	198	183
Less: current portion	(36)	(36)	(36)
Total long-term debt	130	162	147

Aggregate future principal payments are as follows at 30 June 2014:

Year Ending 30 June:

	Amount $000
2015	37
2016	39
2017	42
2018	44
2019	4
	166

3. Commitments and Contingencies

Operating Leases

During 2013, ClearStar US executed several non-cancellable operating leases for its five offices (see Note 7). The lease agreements expire on various dates through February 2022. ClearStar US also maintains non-cancellable operating leases for various office equipment that expire at various dates through 2015.

Minimum lease payments under operating leases are recognised on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013 was approximately $91,000, $60,000 and $130,000, respectively.

At 30 June 2014, future minimum lease payments under non-cancellable operating leases were as follows:

Year Ending 30 June:

	Amount $000
2015	274
2016	302
2017	282
2018	261
2019 and beyond	432
	1,551

Capital Leases

During 2010, ClearStar US leased computer equipment under an agreement classified as a capital lease that expired in November 2013. The lease obligation bore an interest rate of 8.0 per cent. per annum and was payable in monthly instalments totalling $4,285.

During 2014, ClearStar US leased computer equipment under an agreement classified as a capital lease that expires in May 2018. The lease obligation bears an interest rate of 5.3 per cent. per annum and was payable in monthly instalments totalling $4,663.

Assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over the estimated useful lives or the lease term if ownership does not transfer to ClearStar US at the end of the lease. Depreciation of assets under capital leases is included in depreciation expense.

Computer equipment held under capital leases consist of the following:

	As of 30 June 2014 $000	As of 30 June 2013 $000	As of 31 December 2013 $000
Cost of equipment and installation	201	136	136
Less: accumulated depreciation	(17)	(118)	(136)
	184	18	-

At 30 June 2014, future minimum lease payments under capital lease agreements consist of the following:

Year Ending 30 June:	Amount $000
2015	51
2016	56
2017	56
2018	51
	214
Less: interest	(20)
	194
Less: current portion	(43)
	151

4. Stockholders' Equity

On 10 June 2014, the directors of ClearStar US declared a dividend in an amount equal to the highest applicable federal and state tax rates for such Shareholder payable on all profit allocated to such Shareholder for calendar year 2014, such amount being approximately $100,000, payable to the then-current shareholders of ClearStar US to cover historic taxes payable, arising as a result of ClearStar US previously being a pass-through entity for tax purposes. Although the dividend was declared prior to the contribution described below, it will not be paid by ClearStar US until after a final determination has been of the allocation of income and profits for the portion of the calendar year 2014 occurring prior to such contribution and upon such determination, the dividend will be paid as soon as practicable to the shareholders of record as of the date such dividend was declared.

On 26 June 2014, the directors amended and restated ClearStar US's articles to increase the authorized common shares to 10,000 shares.

5. Employee Retirement Plan

ClearStar US sponsors an employee retirement plan known as the ClearStar, Inc. 401(k) Profit Sharing Plan Trust (the ''401k Plan''). Under the 401k Plan, employees may contribute up to the maximum contributions as set periodically by the Internal Revenue Service. Additionally, ClearStar US may make a discretionary contribution to the 401k Plan. The employee contributions vest over six years. Participant contributions are always 100 per cent. vested.

Matching contributions were approximately $37,000, $27,000 and $45,000 for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013, respectively.

6. Concentrations

Significant Vendor

A significant vendor is defined as one from which ClearStar US receives at least 10 per cent. its total purchases. For the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013, ClearStar US had purchases from three, two and two suppliers totalling approximately $1,643,000, $635,000 and $1,650,000 which comprised approximately 75, 39 and 52 per cent. of ClearStar US's purchases, respectively. The liabilities balance included approximately $544,000, $150,000 and $137,000 to these vendors at 30 June 2014 and 2013 and 31 December 2013, respectively.

Significant Customer

A significant customer is defined as one from whom at least 10 per cent. of annual revenue is derived. ClearStar US had sales to one customer totalling approximately $743,000 and $813,000, which comprised approximately 14 and 10 per cent. of annual revenue for the six months ended 30 June 2014 and the year ended 31 December 2013, respectively. The unbilled receivables balance included approximately $162,000 and $56,000 from this customer at 30 June 2014 and 31 December 2013. There was no significant customer for the six months ended 30 June 2013.

7. Related Party Transactions

Amounts due from and to related parties resulted from advances between ClearStar US and its shareholders. Amounts due from shareholders for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013 were approximately $33,000, $ nil and $33,000 respectively. Amounts due to shareholder for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013 were approximately $43,000, $7,000 and $58,000, respectively.

ClearStar US contracted with two companies, owned by certain shareholders of ClearStar US, to provide consulting services. During the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013, ClearStar US incurred approximately $25,000, $23,000 and $37,000, respectively, in consulting fees.

ClearStar US leases two of its office spaces from Flying Diamond, LLC, a company owned by two shareholders (see Note 3). Rental expense paid to the related party for the six months ended 30 June 2014 and 2013, and the year ended 31 December 2013 was approximately $69,000, $54,000, and $118,000, respectively.

On 6 June 2014, the Company executed a promissory note for $315,000 payable from a stockholder in conjunction with a stock subscription agreement to purchase 36.27 shares of common stock. The principal and accrued interest were due the earlier of 31 December 2014 or at the time ClearStar US's parent company is listed on the AIM Market of the London Stock Exchange. The note bore interest of 0.25 per cent. per annum and was secured by the stockholder's capital stock of ClearStar US. The note and related accrued interest was paid in full on 27 June 2014.

8. Subsequent Events

Pursuant to the contribution agreement dated 1 July 2014 by and among the previous shareholders of ClearStar US (the ''Contributors'') and ClearStar, Inc., an exempt company incorporated in the Cayman Islands on 23 April 2014 (the "Company"), each Contributor contributed all of their right, title and interest in and to the capital stock of ClearStar US to the Company as a capital contribution. In exchange, the Company issued 20,725,400 shares of Ordinary Shares of $0.0001 par value to the Contributors in the same proportion as the capital stock contributed in to the Company. Following such contribution, the Contributors no longer owned capital stock of ClearStar US and owned all of the outstanding Ordinary Shares of the Company. The Company owns all of the outstanding capital stock of ClearStar US. The Company maintains authorised shares of 100,000,000 $0.0001 par value Ordinary Shares.

Effective 1 July 2014, ClearStar US will cease to be an S Corporation and will become liable for corporate income taxes.

On 11 July 2014, the Company issued an additional 15,612,500 shares of Ordinary Shares for $0.97 per share ("the Issuance"). The Company incurred costs in the Issuance of approximately $2,498,000. The Company received net proceeds of approximately $12,649,000.

On 10 July 2014, the directors adopted the 2014 Share Option and Incentive Plan (the "Plan") in which 3,000,000 shares of the Company's $0.001 par value Ordinary Shares were available for grant. In conjunction with the Issuance, options to purchase approximately 1,407,165 Ordinary Shares of the Company were granted to certain employees and non-executive directors under the Plan; the exercise price of the options granted was $0.97 per share. The employee options vest over 3 years contingent upon continuing service. The non-executive director options vest over 1 year.