Annual Report.

For the Year Ended 31 December 2023

Kroo Bank Ltd

Registered number 10359002

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Company Information.

For the Year Ended 31 December 2023

Directors

HCG Marr (Chairperson)
A De Gottardo
SM Joseph
N Karsan
PLM Kenny
A Michaelides
CL Van Lanschot

Joint Company Secretaries

SG Byrne
Dentons Company Secretaries

Registered Office

LABS House
15-19 Bloomsbury Way
London
WC1A 2TH

Registered Number

10359002 (England and Wales)

Independent Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Strategic Report

for the year ended 31 December 2023

The directors present their strategic report for the year ended 31 December 2023.

Review of Business

Having received its full authorisation on 24 June 2022, Kroo launched its personal current account to the public on 5 December 2022. It very quickly gained traction, helped by the quick and efficient sign-up process, a clear and easy-to-use app and competitive interest rate, which since October 2023 has taken the form of a base rate tracker rate of 0.9% below the Bank of England base rate (Bank Rate) for credit balances up to £500,000. Since May 2023 Kroo has also offered easy access savings accounts through deposit platforms.

The competitive interest rate offered for current account credit balances increased the uptake rapidly so that by June 2023 Kroo had over 100,000 current accounts with credit balances of £492m.

In November 2023 Kroo launched its unsecured consumer loans through price comparison websites, offering fixed rate loans up to £15,000 for up to 5 years. The scale-up of loans has been managed conservatively to ensure systems and processes were working correctly and within Kroo's capacity. At 31 December 2023 the total gross balance of outstanding loans had reached £2.1m.

Marketing activity has contributed to the growth of the business during 2023. Apart from advertising through social media, Kroo had a campaign on London Underground during February 2023 and April 2023, as well as a campaign in Manchester in April 2023, and ran successful customer referral campaigns during the year.

Through the year Kroo has continued to develop its product offering, and its mobile app, whilst improving customer service by enabling customers to deal with their requests quickly with in-app features. Customers were encouraged to develop good budgeting habits with the launch of Kroo Pots (the feature most frequently requested by customers), helping to separate short-term savings from their day-to-day spend. Kroo has increased the number of self-serve features and introduced features to make online payments safer and easier.

A Series B+ funding round was launched in March 2023, with the original intention of raising £15m. Under this round a total of £14.6m of share capital was raised by December 2023. The adverse climate for fundraising (caused among other things by the failure of Silicon Valley Bank and the Israel/Palestine conflict) led to the decision to postpone Series C, originally planned for Q4 2023, and to extend Series B+ instead. Part of this extension of Series B+ was a successful crowdfunding campaign which raised £1.8m, which together with a further £1.6m from new and existing investors brought the total equity raised during 2023 to £17.9m.

Strategic Report

for the year ended 31 December 2023

Key Performance Indicators

Kroo made a loss of £26.8m for the year ended 31 December 2023 (2022: £14.9m). Its regulatory capital, all of which is in the form of Core Equity Tier 1 capital, stood at £14.3m at the balance sheet date (2022: £22.4m), which exceeded the regulatory requirement. The CET1 ratio and total capital ratio at the balance sheet date was 46.6% (2022: 93.2%).

At 31 December 2023 Kroo had 152,055 current accounts with a total credit balance of £788.2m (2022: £1.2m). The number of employees has increased during the year from 149 to 290. All staff have completed training on a range of topics including treating customers fairly, combating money laundering, consumer duty and bribery and corruption.

Main Risk Areas

Kroo has identified the following main categories of risk:

- Capital adequacy risk: This is the risk that Kroo has inadequate capital to cover its risks appropriately. At this early stage in Kroo's life as a bank, the main source of capital adequacy risk would be the inability to raise sufficient capital to support its operations or an underestimate of its requirements. To assess its capital requirements Kroo carries out an Internal Capital Adequacy Assessment Process which is approved by the Board.
- Business risk: This is the risk that Kroo is not able to execute its strategy according to its plans, failing to generate expected revenues or failing to control costs. These risks are managed through Board oversight of the execution of strategy, regular reporting on project implementation and actions to address deviations from plan.
- Financial Crime risk: This is the risk that Kroo's products and services are used to facilitate financial crime and/or the failure of Kroo to comply with financial crime regulations and legislation. It also has a negative impact on our customers, our community, our financial position and reputation. Kroo recognises the importance of understanding the financial crime risk that the bank is exposed to and has implemented a range of controls to identify and mitigate these risks.
- Credit risk: This is the risk that a borrower or counterparty will fail to meet his or her payments or obligations in accordance with agreed terms. Kroo manages credit risk throughout the lending lifecycle: before origination a creditworthiness and affordability assessment is completed; for the duration of the loan ongoing portfolio monitoring is carried out; and where borrowers are in actual or potential financial difficulty Kroo provides the necessary support. The management of credit risk is overseen by the Credit Committee.
- Operational risk: This is the risk of loss, disruption to business, damage to reputation or of legal action arising from inadequate or failed internal processes, people and systems. This risk is elevated at the moment at Kroo as many processes and systems are relatively new. The risk register identifies key risks and these are mitigated by the management and ongoing enhancement of the control environment.

- Conduct risk: This is the risk of loss or damage to Kroo's reputation through actions or omissions by Kroo which cause customer detriment. At the core of Kroo's approach to conduct risk is maintaining a culture that stresses the importance of treating customers fairly. New products or significant changes to products undergo a new product approval process which gives careful consideration to the impact on customers, including vulnerable customers. Kroo is fully aligned with the Consumer Duty initiative of the Financial Conduct Authority which it sees as reinforcing its existing commitments to ensure that customers receive fair outcomes.
- Legal and regulatory risk: This is the risk of economic loss through a breach of legal or regulatory requirements. Kroo undertakes horizon scanning to identify new legal and regulatory requirements and ensures through the new product approval process that regulatory or legal considerations are taken into account in developing products.
- Other risks: As Kroo continues to develop its banking operations, its liquidity and funding risk, credit risk and market risk will grow from a relatively low level at the moment. The Asset & Liability Committee and Credit Committee oversee the management of these risks at executive level. At present, Kroo has limited exposure to climate risk as it has no physical exposure by way of premises which could be vulnerable, and it has no lending to business borrowers who are in sectors which are vulnerable to climate change impacts.

Going Concern

The Company is in the process of securing additional capital to support its operations and the directors are confident that the Company will successfully raise these amounts in good time. If further funding is not received the Company may breach its capital requirements within the next 12 months.

In making the going concern assessment the Directors have assessed the likelihood of securing the additional capital and the impact of this on forecasts prepared using stressed but plausible operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including unplanned expenditure, stress scenarios and reverse stress testing relating to economic uncertainty caused by the direct or indirect consequences of high inflation and rising interest rates, focused on the Company's capital and liquidity position and operational resilience.

As the status of Kroo as a going concern is dependent on securing this new equity funding, the directors are of the opinion that this matter represents a material uncertainty that may cast significant doubt upon its ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Notwithstanding this material uncertainty, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence, fulfil its regulatory capital requirements and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Management of Risk

Kroo's Risk Management Framework is built on the three lines of defence model. The three lines are as follows:

FIRST LINE OF DEFENCE

The first line comprises central functions such as product, finance, IT, human resources and operations as well as customer-facing functions such as customer support, financial crime, lending and deposit-taking teams. The first line of defence has primary responsibility for the identification, mitigation, management and monitoring of risks arising within each function. The first line are the primary risk owners.

SECOND LINE OF DEFENCE

The second line of defence comprises the Risk and Compliance, Information Security and Data Protection teams, which are jointly responsible for providing oversight and challenge to the first line as well as helping establish the risk frameworks within which the first line function must operate. In addition, the Risk department is responsible for:

- Designing, maintaining and improving the Company's risk management framework
- Ensuring the risk management tools and controls are appropriately designed and implemented
- Ensuring the appropriateness and availability of the company-wide risk system
- Developing and delivering company-wide training on the various elements of the risk framework to the appropriate staff
- Producing regular, relevant risk reporting to management and the Board
- Producing the Company's risk policies and maintaining the company-wide policy framework
- Designing, implementing and improving the Company's security strategy
- Educating employees about security and data management best practices and regulatory requirements
- Ensuring compliance with data protection laws, managing privacy risks, and protecting individuals' privacy rights

THIRD LINE OF DEFENCE

The third line of defence is responsible for providing assurance on the adequacy, appropriateness and effectiveness of the Company's first and second lines of defence. The third line comprises Internal Audit which is provided by an independent provider on an outsourced basis.

Strategic Report

for the year ended 31 December 2023

Engagement with Stakeholders

This section of the Strategic Report describes how the directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. The Company recognises a number of key stakeholders whom the Company is required to treat fairly, namely:

CUSTOMERS

Kroo aims to deliver an exceptional quality of experience and service to its customers. Its products are simple and straightforward and are fairly priced. The Company pays close attention to feedback from customers whether that is in the form of interactions with customer service, reviews or indeed complaints. New products and significant changes to existing products are subject to a new product approval process which ensures that products are designed to meet customer needs.

SHAREHOLDERS

Kroo maintains a close relationship with shareholders. One of the largest shareholders is a member of the Board of Directors and all shareholders receive periodic updates on the Company's progress by email updates and through a quarterly investor call. Kroo's strategic objective is to build a successful and profitable bank which rewards shareholders with returns that reflect the risk they have assumed in the start-up phase.

EMPLOYEES

Employee satisfaction and engagement are key to the success of Kroo. The Company monitors staff engagement regularly through surveys and through close contact between colleagues at all levels of the organisation, something which has become especially important as remote working is establishing itself as part of the normal mix of hybrid working. It also monitors the employee net promoter score eNPS and employee satisfaction.

THIRD PARTY SUPPLIERS

Kroo operates with a large number of suppliers who are important in building the capabilities that are required to offer banking services and to ensure that these operate in a safe and secure way. Suppliers are subject to rigorous due diligence before they are selected and to periodic reviews thereafter.

REGULATORS

The Company is authorised by the Prudential Regulation Authority ("PRA") and supervised by the PRA and the Financial Conduct Authority ("FCA") with reference number 953772. Kroo developed a close, constructive and open relationship with the PRA and the FCA during the authorisation process and maintains the quality of this relationship now that it is fully authorised.

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for the year ended 31 December 2023

THE COMMUNITY AND THE ENVIRONMENT

Kroo prides itself on being a good citizen and seeks to operate in a sustainable manner which reflects the values of its employees and its customers. It encourages employees to volunteer in the community and provides time off and mechanisms to support them in this. During 2023 Kroo staff volunteered 1,011 hours in the community. More detail is set out on pages 18 to 20.

Directors' Statement of Compliance with Duty to Promote the Success of the Company

The directors have acted in good faith and in a manner appropriate to the success of Kroo for the benefit of the members as a whole.

External Environment

The UK economy was affected during 2023 by continuing high inflation, in response to which the Bank of England's Monetary Policy Committee raised the Bank of England base rate in a series of steps from 3.5% at the beginning of the year to 5.25% at the end of the year.

Kroo reflected these interest rate rises by increasing the rate of interest paid on credit balances on current accounts. In October 2023 the current account credit interest rate was converted to a tracker pegged to 0.9% below the Bank of England base rate.

The failure of Silicon Valley Bank and the enforced takeover of Credit Suisse by UBS in March 2023 dented confidence in the banking sector, making the raising of capital funding more challenging. Kroo successfully raised £18.0m during the year, but the Series C funding round, which had originally been planned for the latter part of 2023 has been postponed to 2024.

Future Developments

Kroo expects to continue to increase the number of customers during 2024 and to substantially increase its loan book and the amount of deposits. It is also planning to raise further capital to support the business going forward.

On Behalf of the Board

CAMERON MARR (CHAIRPERSON)
17 APRIL 2024

Report of the Directors

for the year ended 31 December 2023

The directors present their report with the financial statements of the Kroo Bank Ltd, a private company limited by shares and incorporated and registered in England & Wales, for the year ended 31 December 2023. The review of the business and an indication of likely future developments have been included in the Strategic Report on pages 4 to 9.

Directors

The directors shown below have held office during the whole of the period from 1 January 2023 to the date of this report.

HCG Marr
A De Gottardo
SM Joseph
N Karsan
PLM Kenny
A Michaelides
C Van Lanschot

Dividends

No dividends will be distributed for the year ended 31 December 2023.

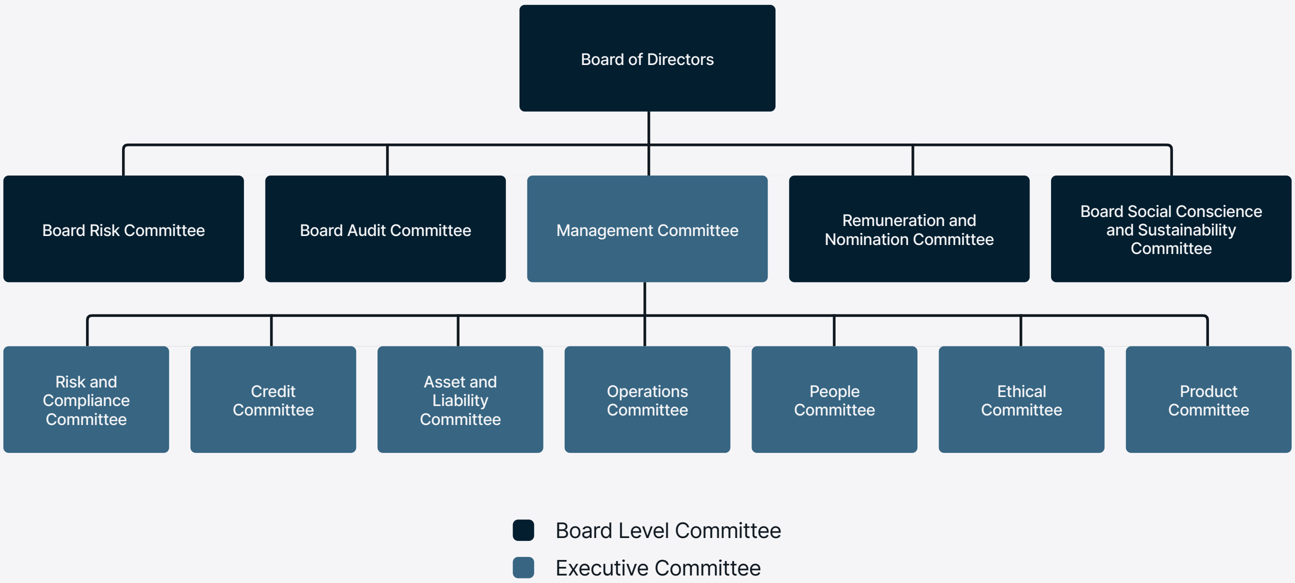
Governance

In addition to the Board itself, Kroo's governance structure includes a Board Risk Committee, a Board Audit Committee, a Board Remuneration and Nomination Committee and a Board Social Conscience and Sustainability Committee. At the executive level, the Management Committee has responsibility for day-to-day management of Kroo, including managing risks, and is assisted in this by the Risk & Compliance Committee, the Credit Committee, the Asset & Liability Committee, the Operations Committee, the People Committee, the Ethical Committee and the Product Committee.

Report of the Directors

for the year ended 31 December 2023

The governance structure is set out in the diagram below:



The Board Committees comprise non-executive directors only but may be attended by executives. Details on each of the committees are set out below:

BOARD

The Board comprises an independent chairperson, three independent non-executive directors, one non-executive director representing shareholders and two executives. It is the governing body of Kroo, responsible for

- Overseeing Kroo's operations
- Setting the appropriate tone for a culture of integrity and compliance within Kroo and ensuring that this culture is replicated at all levels of staff
- Approving Kroo's strategy and ensuring it is within the Board-approved risk appetite
- Monitoring performance against strategic plans
- Overseeing the management of risk and reviewing the risk profile against the risk appetite
- Satisfying itself that an appropriate system of internal controls is in place to safeguard Kroo's assets and support robust reporting
- Appointing the external auditors and approving the annual report

Report of the Directors

for the year ended 31 December 2023

During the year the Board met eighteen times. The attendance of each director was as set out below:

Director	Number of meetings attended
Cameron Marr (Chairperson)	18
Andrea de Gottardo	18
Serena Joseph	17
Nooruddin Karsan	13
Penelope Kenny	18
Andrew Michaelides	18
Christiaen Van Lanschot	16

Matters addressed during the year included:

- Oversight of Kroo's operations and the management of Kroo's business
- Approval of the 2022 Annual Report
- Approval of the decision to begin offering loans
- Approval of the Solvent Wind-Down Plan
- Approval of the Internal Capital Adequacy Assessment Process (ICAAP)
- Approval of the 2022 Pillar 3 Report
- Delegation of policy approvals to the appropriate Board subcommittees
- Consideration and approval of Kroo's Risk Appetite Statement and Risk Management Framework
- Agreeing the strategy for Kroo for 2024

AUDIT COMMITTEE

The Audit Committee is chaired by Penelope Kenny, who is also the Senior Independent Director, and its other members are Serena Joseph and Nooruddin Karsan. Its terms of reference include:

- Monitoring the integrity of Kroo's financial statements, reviewing significant financial reporting issues and judgments made
- Reviewing and challenging where necessary accounting policies and disclosures

- Reviewing Pillar 3 reporting to ensure that the risks to which Kroo is exposed and the way in which those risks are managed are fairly and adequately disclosed
- Recommending, if it sees fit, the annual report and Pillar 3 report to the Board for approval
- Reviewing and approving the terms of reference of the internal audit function and monitoring and its effectiveness, resourcing and programme of work
- Reviewing Internal Audit reports and the implementation of recommendations
- Overseeing the relationship with the external auditor and reviewing the work of the external auditors

During the year the Audit Committee met four times and attendance at those meetings was as follows:

	Penelope Kenny (Chair)	Serena Joseph	Nooruddin Karsan
25 Jan 2023	✓	✓	
25 Apr 2023	✓	✓	
20 Sep 2023	✓	✓	✓
22 Nov 2023	✓	✓	✓

Matters addressed during the year included:

- Agreeing the Internal Audit Plan for 2023 and reviewing the performance of the function
- Reviewing internal audit reports on cyber security, regulatory reporting, the ICAAP and conduct risk
- Reviewing external audit plans and the findings of the external auditors, assessing their performance and considering their fees
- Considering whether accounting estimates and judgements in the draft annual report, including in relation to going concern, were appropriate
- Reviewing the draft annual report and draft Pillar 3 disclosures and recommending them to the Board for approval
- Reviewing monthly management reports
- Discussing the nature of disclosures on the environment and sustainability planned for the 2023 annual report

Report of the Directors

for the year ended 31 December 2023

RISK COMMITTEE

The Risk Committee is chaired by Serena Joseph, who is an independent non-executive Director. Its other members are Penelope Kenny and Christiaen Van Lanschot. Its terms of reference include:

- Reviewing the effectiveness of the risk management function and satisfying itself that it has adequate resources and independence to perform its responsibilities and meet its obligations
- Advising the Board on the Company's risk appetite, tolerance and strategy and assisting the Board in its implementation
- Reviewing the Company's actual risk profile against its risk appetite, as well as any exceptions identified
- Receiving presentations from management to understand the significant and emerging risks the Company faces
- Reviewing the Company's policy framework and providing oversight on its effectiveness
- Reviewing and challenging the Company's internal capital adequacy assessment process, its internal liquidity adequacy assessment process, its Recovery Plan, its Business Continuity Plan, its Disaster Recovery Plan and its Solvent Wind Down Plan all of which, once satisfactory, are then recommended to the Board
- Reviewing risk appraisals of strategic transactions

Reviewing and challenging the risk reporting produced by the first line of defence to ensure this is accurate, timely, comprehensive and consistent

During the year the Risk Committee met nine times and attendance at those meetings was as follows:

	Serena Joseph (Chair)	Penelope Kenny	Christiaen Van Lanschot
22 Feb 2023	✓	✓	✓
13 Apr 2023	✓	✓	✓
23 May 2023	✓	✓	✓
22 Jun 2023	✓	✓	✓
26 Jul 2023	✓	✓	✓
21 Aug 2023	✓	✓	✓
18 Oct 2023	✓	✓	✓
7 Dec 2023	✓	✓	✓
13 Dec 2023	✓	✓	✓

Report of the Directors

for the year ended 31 December 2023

Matters addressed during the year included:

- Monitoring compliance with the Consumer Duty
- Continual oversight of the Risk Appetite Statement and Risk Register
- Review and recommendation of the ICAAP to the Board
- Maintaining the Risk Control Self Assessment Framework
- Reviewing and agreeing new policies, policy frameworks, and updates to existing policies, and recommending these to the Board for approval
- Updating the Important Business Services register
- Monitoring financial, compliance, conduct, credit, IT, financial crime, and other risks
- Monitoring the regulatory developments horizon
- Monitoring developments in IT and artificial intelligence
- Reviewing the results of risk culture surveys

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is chaired by Christiaen Van Lanschot, who is an independent non-executive Director. Its other members are Penelope Kenny, Serena Joseph and Nooruddin Karsan. Its terms of reference include:

Remuneration

- Ensuring that Kroo's remuneration policies and practices are aligned with the Company's long-term business plans and continue to support a healthy work culture and the right behaviours as well as meeting regulatory requirements
- Ensuring that diversity and inclusion are embedded
- Recommending to the Board the framework for the remuneration of the Chief Executive, Board Chair, executive directors, other senior managers and Dual-Regulated Remuneration Code staff
- Approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and approving the total annual payments to be made under such schemes
- Overseeing any major changes in employee benefits structures
- Making recommendations to the Board about the pay of directors whose remuneration shall be a matter for the Chairperson and the members of the Board. No director/manager can be involved in decisions about his or her own remuneration

Nomination

- Regularly reviewing the structure, size and composition of the Board and making recommendations to the Board if these need changing
- Considering succession planning for directors and other senior managers
- Keeping under review the leadership needs of the organisation, both executive and non-executive
- Identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise
- Reviewing role specifications for Board positions, including the time commitment expected.
- Considering potential conflicts of interests at Board level
- Periodically reviewing the process the Board follows when selecting and appointing senior management

During the year the Remuneration and Nomination Committee met three times and attendance at those meetings was as follows:

	Christiaen Van Lanschot (Chair)	Penelope Kenny	Serena Joseph	Nooruddin Karsan
9 Feb 2023	☑	☑	☑	
22 Jun 2023	☑	☑	☑	
10 Oct 2023	☑	☑	☑	☑

Matters addressed during the year included:

- Assessment of annual performance reviews
- Maintaining the succession plan for senior executives
- Preparation of new remuneration policies for material risk-takers and other employees

SOCIAL CONSCIENCE AND SUSTAINABILITY COMMITTEE

The Social Conscience Committee is chaired by the Chairperson, Cameron Marr. Its other members are Christiaen Van Lanschot (independent non-executive) and Nooruddin Karsan (non-executive). Its terms of reference include:

- Reviewing and approving Kroo's principles and the Code of Conduct, ensuring that the Company's culture remains consistent with its founding principles

- Overseeing the development of social and ethical behaviour throughout the business
- Liaising with stakeholders, such as investors, regarding the selection of charities that Kroo will support
- Reviewing at least annually the Charities Panel (as described in Kroo's Charitable Donations Policy) and making recommendations about adding, retaining or removing charities from the panel
- Making recommendations to the Board about expanding or contracting the number of charities supported by the Company
- Ensuring that the behaviours of staff and particularly board/senior management are consistent with the Company's social ethos

During the year the Committee met twice and attendance at those meetings was as follows:

	Cameron Marr (Chair)	Christiaen Van Lanschot	Nooruddin Karsan
25 Jan 2023	✓	✓	✓
25 Apr 2023	✓	✓	✓

Matters addressed during the year included reviewing and overseeing:

- Efforts of Kroo to track and reduce its carbon footprint.
- The development of in app features that allow customers to elect between two different countries when selecting where trees should be planted in respect of each new current account opened.
- The alignment of Kroo's charitable donation policies with one or more of the the United Nations 17 Development Goals
- The work of the executive Ethical Committee, which coordinates charitable work done by staff.

Environment and Climate Change

Carbon reporting

At COP26 the UK government announced its objective to become the first net zero-aligned financial centre. In order to achieve this goal, all financial institutions must take responsibility for their own contribution to climate change and the detrimental impact it has on human health and the environment. During 2023, shortly after launching its operation as a bank, Kroo set about ascertaining its carbon footprint. This baseline will allow Kroo to establish ambitious but attainable goals and measure progress on the collective journey to net zero.

Report of the Directors

for the year ended 31 December 2023

Kroo's footprint - Scopes 1 and 2

In line with SECR reporting requirements Kroo has measured its Scope 1 and 2 emissions for the calendar year 2023.

Scope 1 emissions are direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by a business (e.g., emissions associated with combustion in boilers, furnaces, vehicle fleets). As Kroo is a digital bank it does not generate emissions from directly owned and operated equipment or a fleet of vehicles.

Kroo does however produce GHG emissions from activity categorised under Scope 2. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Kroo's Scope 2 emissions are from the purchased energy used at its offices.

Kroo has two offices, both located in the UK. To determine its energy consumption Kroo assessed the total energy usage in kWh for the buildings where its offices are located and based on square footage determined what proportion of the energy usage was attributable to Kroo.

The electricity used in both of Kroo's office buildings is derived from a combination of renewable resources and nuclear power, leaving the gas used for heating as the main source of its Scope 2 emissions.

Given 2023 is Kroo's emissions baseline it is not yet able to report data for comparison or the steps taken to improve efficiency thus far.

Kroo's 2023 emissions - Scopes 1 and 2

Total energy consumption used to calculate carbon emissions (kWh)	155,259 kWh
London office	108,004 kWh
Manchester office	47,255 kWh
Emissions from combustion of natural gas in buildings (tCO2e) (Scope 1)	0
Emissions from purchased electricity in buildings (Location-based) (tCO2e)	0
Emissions from purchased heating in buildings (Location-based) (tCO2e)	13.43 tCO2e
Total Organisational Emissions (Location-based) (tCO2e)	13.43 tCO2e
Intensity ratio - emissions per colleague annually	61.62 kg CO2e

Report of the Directors

for the year ended 31 December 2023

Methodology

Kroo's Scope 2 emissions were calculated using a third party sustainability and carbon accounting platform. It follows the GHG Protocol, taking heat consumption values and multiplying them by an emission factor applicable to the given timeframe and location where the heating was consumed. The main sources for the emission factors are the national-level emission factor databases reported to the IPCC, nation-specific peer-reviewed scientific research articles, established databases (e.g. CEDA) and studies such as those by the Umweltbundesamt, the German government's environment agency.

There are limitations to relying on emissions data for Scopes 1 and 2 alone - particularly for a digital bank. Kroo's supply chain is responsible for over 90% of total emissions, namely from purchased goods and services which are categorised as part of Scope 3. In order to measure its total GHG emissions across all scopes, Kroo is currently mapping its Scope 3 activity for 2023. Building a data-driven understanding of total emissions in 2023 will assist Kroo in developing an effective action plan for tackling its carbon emissions. Kroo expects to be in a position to publish its Scope 3 emissions data in the 2024 annual report.

Transparency has been part of Kroo's ethos since the beginning and this core principle extends beyond empowering customers to take control of their finances. Kroo will publish its Scope 3 emissions data along with further details about its net zero goals and timeline on its website so that it is easily accessible for stakeholders.

Commitment to Tech Zero

In 2023 Kroo joined Tech Zero, a community of tech companies committed to fighting the climate crisis. Kroo has committed to annually measure and publish its GHG emissions across Scopes 1-3. It will also publish short and long term carbon reduction targets and its progress along the way on its website. Kroo has appointed a member of the executive team who is responsible for reviewing KPIs, ensuring it stays on track to meet its climate targets, and reporting this information to the Board.

One Tree Planted

Kroo has partnered with the non-profit organisation One Tree Planted which supports reforestation projects around the world. When a customer opens a Kroo account, the bank donates towards the planting of two trees. With stakeholder engagement in mind Kroo recently developed a feature that enables customers to select a project where the trees will be planted. Its hope is that by demonstrating that small steps can make a big difference, Kroo will inspire people to consider their impact when making daily decisions.

Incentivising a greener commute

Cycle to Work schemes are one of the most popular employer benefits in the country. The most common type of scheme and the one used at Kroo is based on salary sacrifice. The bank is registered with CycleSchemes, which partners with several vendors, both physical bike shops and online stores. Through the Cycle to Work Scheme Kroo can boost health and wellbeing while reducing travel emissions. Kroo also offers an electric vehicle salary sacrifice scheme.

Report of the Directors

for the year ended 31 December 2023

Political and Charitable Contributions

The Company made no political donations during the year (2022: nil).

The Company made charitable donations of £118,810 (2022: £122,102).

Research and Development

Kroo invests in the development of its own platform and developing the interfaces between the platform and systems supplied by third parties. Kroo claims research and development tax relief from His Majesty's Revenue and Customs. During 2023 Kroo spent £5,661,085 on research and development (2022: £4,105,542).

Directors' Indemnities

The Board of Directors has put in place a directors' and officers' liability insurance policy to indemnify the directors and officers of the Company against loss arising from any claim made against them jointly or severally for any failure of duty of care in their capacity as director or officer of the Company.

Auditors

BDO LLP were deemed re-appointed as auditors under Section 487(2) of the Companies Act 2006 in the absence of formal re-appointment during 2023.

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On Behalf of the Board

ANDREA DE GOTTARDO (DIRECTOR)
17 APRIL 2024

Statement of Directors’ Responsibilities

for the year ended 31 December 2023

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Financial statements are published on the Company’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

Independent Auditor's Report to the Members of Kroo Bank Ltd

OPINION ON THE 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 2023 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kroo Bank Ltd (the 'Company') for the year ended 31 December 2023 which comprise Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the board on 15 April 2021 to audit the financial statements for the year ended 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ended 31 December 2021 to 31 December 2023. We remain 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 FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 of the financial statements, which indicates that the ability of the Company to continue as a going concern is dependent on it securing additional capital to support its operations. If further funding is not received, then the Company may breach its capital requirements within the next 12 months. As stated in Note 1, these events, and conditions, along with other matters as set out in Note 1, 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.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting and our response to the key audit matter included the following:

- Review of the Directors' projections for regulatory capital for a period of 12 months from the date of approval of these financial statements, and challenge of the reasonableness of underlying assumptions, including growth of deposits and loan portfolios, by comparing to actuals to date, and economic variables to existing rates.
- We have reviewed key capital and liquidity ratios for any significant deterioration which could give rise to doubt about the going concern assumption.
- We have agreed the existing capital position to supporting documentation including tracing the cash receipts from capital raised during the year to bank statements and to the share register.
- We considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible adverse effects that could arise both individually and collectively.
- We assessed the completeness and accuracy of the going concern disclosure within the financial statements, using our knowledge of the relevant facts and circumstances developed during our audit work and the Company's going concern assessment.
- We reviewed legal and regulatory correspondence, together with board and committee meeting minutes.
- We enquired with management and those charged with governance in relation to the Company's funding prospects, and inspected supporting documentation for ongoing capital raising activities.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

OVERVIEW

		2023	2022
Key audit matters	Going concern	✓	✓
	Customer deposits	✓	–
Materiality	Company financial statements as a whole: £213,000 (2022: £230,000) based on 1.5% of Net assets (2022: 1% of Net assets)		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Company’s operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Company operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors’ going concern assessment.

We also assessed the consistency of management's disclosures included on pages 18 to 20 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

Key audit matters

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

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

As described above we have identified a material uncertainty related to going concern as a key audit matter in addition to the matter described below.

Key audit matters		How the scope of our audit addressed the key audit matter
Customer deposits – completeness and accuracy The Company's accounting policies are detailed in Note 1 on page 41 with detail about the customer deposits in note 17 on page 54.	The Company has customer deposits included in the Statement of Financial Position of £855m (2022: £1.2m). There has been significant growth in the balance during the year, as such there is a risk in respect of the existence and accuracy of customer deposit balances. There is also a risk of incomplete data transfer from third party applications to the core banking system, which could result in funds not being recorded completely and accurately. There is a risk that funds are not completely and correctly allocated into customer accounts. Based on the magnitude of the balance in relation to the financial statements and the risks noted above, this is considered to be a key audit matter.	We obtained an understanding of the Company's IT Infrastructure, including details of key Application Programming Interfaces ("APIs"), internal and external interfaces surrounding customer deposits and related transactions. We tested the operating effectiveness of the application controls surrounding the Company's payments processes and the transfer of data between its core banking system and third-party applications. This provided us with evidence that funds were completely and correctly allocated into customer accounts. On a sample basis, we reconstructed the customer deposit balances from third party data to confirm the existence and accuracy of customer deposit balances in the core banking system as at year end. We obtained independent confirmation of balances from the Bank of England, third-party service providers and investigated any reconciling differences. We tested suspense and control accounts on a sample basis including those at year end and agreed any reconciling items back to supporting documentation, checking whether the reconciling items had subsequently cleared. We used our Data and Analytics specialists to critically assess the population of customer complaints logs for systemic indications of inaccuracies in the core banking system data. Key observations: Based on our audit work performed, we have not identified any indicators that the customer deposits are not appropriately recorded in the financial statements.

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2023 £	2022 £
Materiality	213,000	230,000
Basis for determining materiality	1.5% (2022: 1%) of Net Assets	
Rationale for the benchmark applied	We determined that net assets is the most appropriate benchmark considering the different stakeholders. This is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Company as well as the purpose of the Company which is to optimise rather than maximise profits. We have also determined an increase of 0.5% in the benchmark rate compared to 2022 is appropriate given our increased knowledge of the business, the stage of the Company's life cycle as well as its risk profile.	
Performance materiality	149,000	161,000
Basis for determining performance materiality	Performance materiality has been set at 70% (2022: 70%) of materiality, based on our risk assessment together with our assessment of the Company's overall control environment and expected total value of known and likely misstatements based on past experience.	

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,000 (2022: £11,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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

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

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 material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the Companies Act 2006, tax legislation and those resulting from being regulated by the Financial Conduct Authority and Prudential Regulation Authority to undertake regulated activities.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Inspecting internal audit reports, legal correspondence and correspondence with the Financial Conduct Authority and the Prudential Regulation Authority to identify an instance of non-compliance with laws and regulations and fraud.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and customer deposits.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation;
- Involvement of forensic specialists in the audit to assist in the formulation of the risk criterion for journal testing as well as identify other key procedures to perform to identify potential fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Report of the Independent Auditors to the Members of Kroo Bank Ltd

for the year ended 31 December 2023

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

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.

James Billingham (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

17 April 2024

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

Statement of Comprehensive Income

for the year ended 31 December 2023

	Notes	2023 £	2022 £
Interest receivable and similar income	4	27,973,249	165,998
Interest payable and similar expenses	5	(21,814,000)	(1,174)
Net interest income		**6,159,249**	**164,824**
Fee and commission income		283,795	1,416
Fee and commission expense		(221,917)	(370)
Net fee and commission income	**6**	**61,878**	**1,046**
Other operating income		7,722	335
Total income		**6,228,849**	**166,205**
Staff costs	7	(17,541,262)	(9,743,921)
Depreciation	15	(179,217)	(94,230)
Other non-staff costs	7	(16,375,747)	(6,645,154)
Total administrative expenses		**(34,096,226)**	**(16,483,305)**
Provision for bad and doubtful debts	8	(59,996)	(1,151)
Loss before taxation		**(27,927,373)**	**(16,318,251)**
Tax credit on loss	9	1,079,366	1,466,576
Loss for the financial year		**(26,848,007)**	**(14,851,675)**
Other comprehensive income		**-**	**-**
Total loss for the year		**(26,848,007)**	**(14,851,675)**

The results for the current and prior year are derived entirely from continuing operations.

The notes on pages 41-64 form part of these financial statements.

Statement of Financial Position

for the year ended 31 December 2023

	Notes	2023 £	2022 £
Cash and balances at central banks	11	848,278,623	9,833,288
Treasury bills and other eligible bills	12	—	9,972,583
Loans and advances to banks	13	17,480,800	1,801,808
Loans and advances to customers	14	2,278,905	10,446
Tangible fixed assets	15	390,173	286,147
Other assets	16	5,489,956	3,807,507
Total assets		**873,918,457**	**25,711,779**
Customer accounts	17	854,820,499	1,243,492
Other liabilities	18	2,981,622	1,449,973
Accruals and deferred income	19	1,827,783	589,981
Total liabilities		**859,629,904**	**3,283,446**
Capital and reserves			
Called up share capital	20	68	59
Share premium		76,423,514	58,475,774
Share based payments reserve		1,925,967	1,165,489
Accumulated losses		(64,060,996)	(37,212,989)
Shareholders' funds		**14,288,553**	**22,428,333**
Total liabilities and equity		**873,918,457**	**25,711,779**

The notes on pages 41-64 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2024 and were signed on its behalf by:

ANDREW MICHAELIDES (DIRECTOR)

Statement of Changes in Equity

for the year ended 31 December 2023

	Called up shared capital £	Retained earnings £	Share premium £	Share based payment reserve £	Total equity £
Balance at 1 January 2022	**41**	**(22,361,314)**	**31,207,390**	**711,032**	**9,557,149**
Changes in equity					
Loss for the year	—	(14,851,675)	—	—	(14,851,675)
Issue of share capital for cash	18	—	27,268,384		27,268,402
Issue of share options to staff	—	—	—	454,457	454,457
Balance at 31 December 2022	**59**	**(37,212,989)**	**58,475,774**	**1,165,489**	**22,428,333**
Changes in equity					
Loss for the year	—	(26,848,007)	—		(26,848,007)
Issue of share capital for cash	9	—	17,947,740		17,947,749
Issue of share options to staff	—	—	—	760,478	760,478
Balance at 31 December 2023	**68**	**(64,060,996)**	**76,423,514**	**1,925,967**	**14,288,553**

Statement of Cash Flows

for the year ended 31 December 2023

Cash flows from operating activities	2023 £	2022 £
Loss before taxation	(27,927,373)	(16,318,251)
Adjustments		
Depreciation	179,217	94,230
Impairment charge	59,996	1,151
Share option charge	760,478	454,457
Net interest income	(6,159,249)	(164,824)
Net change in operating assets and liabilities:		
(Increase)/decrease in other assets	(1,960,147)	(934,468)
Increase/(decrease) in other liabilities	2,769,451	1,188,991
Movement in customer advances	(2,315,093)	(11,505)
Movement in customer deposits	850,875,499	1,242,318
R&D tax credit received	1,369,199	—
Interest received	27,920,335	49,866
Interest paid	(19,112,492)	—
Net cash from operating activities	**826,459,821**	**(14,398,035)**
Cashflows from investing activities		
Purchase of tangible fixed assets	(283,243)	(270,719)
Proceeds of sale of fixed assets	—	800
Purchase of debt securities	—	(19,976,892)
Sale of debt securities	10,000,000	10,120,349
Net cash from investing activities	**9,716,757**	**(10,126,462)**
Cashflows from financing activities		
Issue of shares	18,020,475	27,268,402
Cost of share issues	(72,726)	
Net cash from financing activities	**17,947,749**	**27,268,402**

Statement of Cash Flows

for the year ended 31 December 2023 (continued)

	2023 £	2022 £
Net increase in cash and cash equivalents	**854,124,327**	**2,743,905**
Net increase in cash and cash equivalents	854,124,327	2,743,905
Cash at beginning of year	11,635,096	8,891,191
Cash at end of year	**865,759,423**	**11,635,096**
Reconciliation of cash and cash equivalents	848,278,623	9,833,288
Cash and balances at central banks	17,480,800	1,801,808
Loans and advances to banks	**865,759,423**	**11,635,096**

Notes to the Financial Statements

for the year ended 31 December 2023

1. Accounting Policies

BASIS OF PREPARING THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (“FRS102”) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

GOING CONCERN

The Company incurred a loss of £26.8m for 2023 (2022: £14.9m) and expects to continue to incur losses until its business is fully established. It is in the process of securing additional capital to support its operations and the directors are confident that the Company will successfully raise these amounts in good time. If further funding is not received the Company may breach its capital requirements within the next 12 months.

In making the going concern assessment the Directors have assessed the likelihood of securing the additional capital and the impact of this on forecasts prepared using stressed but plausible operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including unplanned expenditure, stress scenarios and reverse stress testing relating to economic uncertainty caused by the direct or indirect consequences of high inflation and rising interest rates, focused on the Company’s capital and liquidity position and operational resilience.

As the status of Kroo as a going concern is dependent on securing this new equity funding, the directors are of the opinion that this matter represents a material uncertainty that may cast significant doubt upon its ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Notwithstanding this material uncertainty, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence, fulfil its regulatory capital requirements and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

INTEREST INCOME AND INTEREST EXPENSE

Interest receivable and similar income on financial assets that are classified as loans and advances to customers, on debt securities, on cash and balances at central banks and on loans and advances to banks, and interest payable on financial liabilities that are classified as customer deposits, are recognised as interest income and interest expense respectively in the Statement of Comprehensive Income, using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the gross carrying amount of the financial asset or liability. The effective interest rate method calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant year.

FEE AND COMMISSION INCOME

Fees and commissions are recognised on an accruals basis. Fees and commissions receivable and payable are recognised when the service is provided, or when transactions are processed on an accruals basis.

TANGIBLE FIXED ASSETS

Depreciation is provided at the following annual rates on a straight line basis in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 10% on cost
Computer equipment	- 33% on cost

FINANCIAL INSTRUMENTS

The Company follows FRS102 but has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement.

The Company classifies financial assets and financial liabilities as loans and receivables, held to maturity investments or other financial liabilities, with management determining the categorisation of its investments at acquisition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised when cash is advanced to the borrowers. Loans and receivables are carried at amortised costs using the effective interest method.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest method less any impairment loss.

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments and mainly comprise deposits by customers. Other financial liabilities are recognised when cash is received from depositors. Other financial liabilities are carried at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, expire, are modified or exchanged.

Notes to the Financial Statements

for the year ended 31 December 2023

Amortised Cost Measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is initially recognised at, minus principal payments, plus or minus cumulative amortisation using the effective interest method of any difference between the amount initially recognised and the maturity amount, less any impairment.

Impairment of financial assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually. Objective evidence of impairment may include arrears of loan instalments or overdrawn current accounts operating continuously in excess of approved limits or with an absence of credit turnover in the account.

If it is determined that there is no evidence of impairment for any individually assessed financial asset, whether individually significant or not, it includes the asset in a group of financial assets, with similar credit risk characteristics, and collectively assessed them for impairment. Assets which are individually assessed and for which impairment is recognised or continues to be recognised, are not included in the collective assessment for impairment. Estimates of collective impairment for groups of financial assets are based on credit bureau scores, on the expected default rates for advances in different bands of credit bureau scores and on the estimated period taken for individual impairment to emerge. The loss given default is assumed to be 100% for this purpose.

When a loan is uncollectable, it is written off against the related provision for loan impairment, once the amount of the loss has been determined. Any subsequent recoveries of amounts previously written off are deducted against the charge for loan impairment in the statement of comprehensive income.

TAXATION

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off in the year in which it is incurred. Applicable R&D tax credits are accounted for on this expenditure. The R&D tax credit allows the deduction of 86% of qualifying costs (130% up to 31 March 2023) from the yearly profit, as well as the normal 100% deduction, to make a total of 186% deduction (230% up to 31 March 2023), which is claimed from HMRC as a 10% payable tax credit (14.5% up to 31 March 2023). R&D tax credits are recognised as an asset and income in the year in which the R&D qualifying expenditure is recognised.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

LEASING COMMITMENTS

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

SHARE BASED COMMITMENTS

All new employees receive share options when they join the Company and may be entitled to further share options as a reward for performing well and to incentivise them to make Kroo a success. As an unlisted company granting share options to employees, Kroo is required to make several estimates and assumptions to calculate the value of options granted. The assumptions and estimates relate to current share price, volatility in the Black-Scholes model and assumption on future exercise scenarios. These are measured at fair value under FRS102. Further details are set out in note 24.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

The obligations for contributions to a defined contribution pension scheme are recognised as an expense in the period they are incurred. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Notes to the Financial Statements

for the year ended 31 December 2023

PROVISIONS

Provisions are recognised where the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

SHARE CAPITAL, SHARE PREMIUM AND EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. In accordance with FRS 102, financial instruments issued by the Company are treated as equity only to the extent they meet the following two conditions:

- They include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or liabilities with another party under conditions that are potentially unfavourable to the Company; and
- Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging of a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

2. Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenditure.

These estimates are based on experience and various other factors that are believed to be reasonable in the circumstances. 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 estimates are revised.

In preparing these financial statements the directors have made the following judgements:

Deferred tax: The Company has tax losses available to reduce future corporation tax payments. The resulting deferred tax asset is recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The directors do not consider it appropriate to recognise a deferred tax asset at 31 December 2023, as the Company has not sufficiently evidenced the ability to generate profits.

Share-based payments: In determining the value of share-based payments under the Company Share Option Scheme the directors have made assumptions about the volatility of the share price, the risk-free interest rate and the life of the options. These are set out in note 24.

Impairment provisions against loans and advances: As described in note 1 it is the Company's policy to make appropriate provision for the estimated loss when there is objective evidence that loans or advances are impaired.

3. Directors' Emoluments

	2023 £	**2022** £
Salaries	422,507	352,692
Fees	322,000	230,346
National Insurance contributions	72,593	60,802
Private healthcare costs	2,051	—
Defined contribution pension costs	2,642	2,642
Share based payments	319,252	237,610
	1,141,045	884,092

The highest paid director received remuneration of £259,257 (2022: £197,692).

Contributions to a defined contribution pension scheme were made on behalf of two Directors. The value of the Company's contributions to a defined contribution pension scheme in respect of the highest paid Director were £1,320 (2022: £1,320).

Private healthcare premiums were paid on behalf of two Directors and their family under a company-wide scheme. Premiums paid on behalf of the highest paid Director and their family were £682.

During the year 171,825 options (2022: 315,000) were promised to the Directors. No Directors exercised any share options. The total expense recognised in the period in respect of share-based payments to the highest paid Director was £299,563 (2022: £237,610).

Notes to the Financial Statements

for the year ended 31 December 2023

4. Interest Receivable and Similar Income

	2023 £	2022 £
Loans and advances to customers	43,480	112
Balances with central banks	27,774,081	49,846
Loans and advances to banks	68,019	—
Debt Securities	27,417	116,040
Other	60,252	—
	27,973,249	165,998

5. Interest Payable and Similar Expenses

	2023 £	2022 £
Current account credit balances	21,074,052	1,174
Easy access savings accounts	739,948	—
	21,814,000	1,174

6. Fees and Commissions

	2023 £	2022 £
Customer debit card transaction revenue	283,795	1,416
Customer debit card expense	(221,917)	(370)
	61,878	1,046

Notes to the Financial Statements

for the year ended 31 December 2023

7. Administrative Costs

The operating loss for the year is stated after charging:

	2023 £	2022 £
Staff costs	17,541,262	9,743,921
Depreciation	179,217	94,230
Other non-staff costs	16,375,747	6,645,154
	34,096,226	16,483,305

Staff costs comprised:

	2023 £	2022 £
Wages and salaries	13,654,933	6,844,993
National Insurance	1,661,143	865,326
Defined contribution pension cost	177,771	73,782
Contractors	978,201	1,118,895
Share options granted	760,478	454,457
Other	308,736	386,468
17,541,262		9,743,921
Average number of employees (including directors) during the year	223	101

Notes to the Financial Statements

for the year ended 31 December 2023

8. Provision for Bad and Doubtful Debts

	2023 £	2022 £
Losses specifically provided for	39,581	—
Collective impairment charge for losses incurred but not specifically provided for	20,415	1,151
	59,996	1,151

9. Corporation Tax

Current tax	2023 £	2022 £
Current year - corporation tax	(1,151,993)	(1,466,576)
Adjustment in respect of prior years	72,627	—
	(1,079,366)	(1,466,576)

Deferred tax	2023 £	2022 £
Current year	—	—
Adjustment in respect of prior years	—	—
Change in deferred tax charge as a result of change in tax rate	—	—
	—	—

Notes to the Financial Statements

for the year ended 31 December 2023

The Company has not recognised a net deferred tax asset of £13.4m (2022: £7.9m) as there is insufficient evidence of its recoverability. At 31 December 2023 there was a deferred tax liability of £97,543 in respect of fixed asset timing differences. A deferred tax asset of this amount has been recognised, with a corresponding gross unrecognised deferred tax asset. The Company has tax losses of £52.8m (2022: £30.6m) that are available indefinitely for offset against future taxable profits.

RECONCILIATION OF TOTAL TAX CREDIT INCLUDED IN STATEMENT OF COMPREHENSIVE INCOME

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK. The difference is explained below:

	2023 **£**	**2022** **£**
Loss before tax	(27,927,373)	(16,318,251)
Tax thereon at 23.5% (2022: 19%)	(6,562,933)	(3,100,468)
Effects of:		
Permanent differences	59,577	—
Impact of deferred tax not recognised	5,163,371	3,100,468
Tax losses surrendered for R&D tax claim	2,604,452	—
R&D enhanced deduction	(1,264,467)	—
R&D claim	(1,151,993)	(1,466,576)
Prior year tax adjustment	72,627	—
	(1,079,366)	(1,466,576)

The research and development tax relief for 2023 relates to the £5,393,216 of expenditure in the year on research and development (2022: £4,105,542).

The tax rate applying to the Company for 2023 is 23.5% (2022: 19%).

Notes to the Financial Statements

for the year ended 31 December 2023

10. Auditors' Remuneration

	2023 £	2022 £
Fees payable to the Company's auditor for audit	220,000	110,000

11. Cash and Balances at Central Banks

	2023 £	2022 £
Bank of England	848,278,623	9,833,288

12. Debt Securities

No debt securities were held on 31 December 2023.

The debt securities held at 31 December 2022, with an amortised cost of £9,972,583, comprised UK treasury bills maturing on 13 February 2023. A total of £24,860,973 of treasury bills were acquired during 2022, of which £14,969,469 matured before 31 December 2022. The remaining treasury bills had an original cost of £9,891,504 and had accrued interest of £81,079 at 31 December 2022. The 'mark-to-market' value of debt securities held at 31 December 2022 was £9,963,894.

Notes to the Financial Statements

for the year ended 31 December 2023

13. Loans and Advances to Banks

	2023 £	2022 £
UK financial institutions rated A1 by Moody’s	4,945,842	234,708
UK financial institutions not rated	12,534,958	1,567,100
	17,480,800	1,801,808

14. Loans and Advances to Customers

	2023 £	2022 £
Gross loans and advances to customers	2,337,344	11,597
Provision for impairment	(58,439)	(1,151)
	2,278,905	10,446

The maturity analysis of customer advances is set out below:

	2023 £	2022 £
Repayable on demand	188,224	11,597
3 months or less	182,880	—
Between 3 months and 1 year	530,426	—
Between 1 year and 5 years	1,435,814	—
Over 5 years	—	—
	2,337,344	11,597

Notes to the Financial Statements

for the year ended 31 December 2023

15. Tangible Fixed Assets

Cost	Fixtures and fittings £	Computer equipment £	Total £
At 1 January 2023	8,935	549,881	558,816
Additions	—	283,243	283,243
Disposals	—	(10,801)	
At 31 December 2023	8,935	822,323	831,258
Accumulated depreciation			
At 1 January 2023	4,003	268,666	272,669
Accumulated depreciation on disposals		(10,801)	
Charge for the year	842	178,375	179,217
At 31 December 2023	4,845	436,240	441,085
Net book value			
At 31 December 2023	4,090	386,083	390,173
At 31 December 2022	4,932	281,215	286,147

Notes to the Financial Statements

for the year ended 31 December 2023

16. Other Assets

	2023 £	2022 £
R&D tax credit receivable	1,151,993	1,466,576
Visa collateral	2,808,757	71,931
Other debtors	540,588	1,255,073
Prepayments	988,618	1,013,927
	5,489,956	3,807,507

17. Customer Accounts

	2023 £	2022 £
Current account balances	788,169,559	1,243,492
Instant access savings accounts	66,650,940	—
	854,820,499	1,243,492

18. Other Liabilities

	2023 £	2022 £
Trade creditors	2,261,445	456,054
PAYE and National Insurance	539,000	358,432
VAT	181,177	635,487
	2,981,622	1,449,973

Notes to the Financial Statements

for the year ended 31 December 2023

19. Accruals and Deferred Income

	2023 £	2022 £
Accruals and deferred income	1,827,783	589,981

20. Called Up Share Capital

8,843,132 ordinary shares of £0.000001 each were allotted and fully paid during the year, for a total consideration of £18,020,474.

	2023 £	2022 £
Ordinary shares of £0.000001		
As at 1 January 2023: 58,850,144 ordinary shares	59	41
Issued during the year: 8,843,132 ordinary shares	9	18
As at 31 December 2023: 67,693,276 ordinary shares	68	59

All shares rank *pari passu* and have full voting rights, full dividend rights and full rights to capital distribution, including on winding up but do not have any right of redemption.

Notes to the Financial Statements

for the year ended 31 December 2023

21. Other Financial Commitments

At 31 December 2023, the minimum rental commitments were as follows:

	2023 £	2022 £
Within 1 year	1,190,275	1,304,412
1-5 years	—	—
Over 5 years	—	—
	1,190,275	1,304,412

Rental payments which were included within administrative expenses during the year ended 31 December 2023 were £1,283,540 (2022: £488,274).

At 31 December 2023 there were undrawn overdraft commitments totalled £586,383 (2022: 66,361).

Notes to the Financial Statements

for the year ended 31 December 2023

22. Risk Management

CREDIT RISK

At 31 December 2023, the Company had exposure to customers in the form of unsecured overdrafts which are repayable on demand and fixed rate unsecured consumer loans repayable in equal instalments over a period of up to five years.

The analysis of advances by credit quality is set out below:

At 31 December 2023	£ Overdrafts	£ Loans	£ Total
Gross impaired advances	36,873	—	36,873
Specific provision for impairment	(36,873)	—	(36,873)
Net impaired advances	—	—	
Neither past due nor impaired (gross)	240,656	2,149,120	2,389,776
Collective provision	(12,033)	(9,533)	(21,566)
Neither past due nor impaired (net)	228,623	2,139,587	2,368,210
Total	**228,623**	**2,139,587**	**2,368,210**
At 31 December 2022			
Neither past due nor impaired (gross)	11,597	—	11,597
Collective provision	(1,151)	—	(1,151)
Neither past due nor impaired (net)	10,446		10,446

Notes to the Financial Statements

for the year ended 31 December 2023

The ageing analysis of impaired advances is set out below:

	£ Overdrafts	£ Loans	£ Total
Past due less than 3 months	15,390	—	15,390
Past due 3 to 12 months	21,483	—	21,483
Total	36,873	—	36,873

Kroo's exposure to counterparties was as follows:

	2023 £	2022 £
Central banks rated Aa3 by Moody's	848,278,623	9,833,288
UK financial institutions rated A1 by Moody's	4,945,842	234,708
UK financial institutions not rated	12,534,958	1,567,100
Debt securities rated AA3 by Moody's	—	9,972,583
	865,759,423	21,607,679

The exposure to central banks and UK financial institutions is in the form of balances repayable on demand.

Other credit exposures were as follows:

	2023 £	2022 £
R&D tax credit receivable	1,151,993	1,466,576
Accrued interest receivable from central banks	2,165,697	16,499
Visa collateral	2,808,757	71,931
Other debtors	540,588	1,255,073
Other interest receivable	34,603	—
	6,701,638	2,810,079

R&D tax credit receivable represents the research and development tax relief receivable. The collateral deposited with Visa secures Kroo's obligations as a member of Visa. It is held in an interest-bearing account and is repayable when Kroo ceases to be a member and has repaid its obligations under the scheme.

All financial instruments are measured at amortised cost and are unsecured.

Notes to the Financial Statements

for the year ended 31 December 2023

LIQUIDITY RISK

At 31 December 2023 the Company had total customer deposits of £854,820,499 (2022: £1,243,492), which were in the form of current account credit balances and instant access savings accounts repayable on demand. High quality liquid assets and balances with UK banks with a maturity of less than 3 months were in excess of the outstanding deposits.

The analysis of assets and liabilities by contractual maturity is set out below:

31 December 2023	£ Total	£ On demand	£ Up to 3m	£ 3-12 months	£ 1-2 years	£ 3-5 years
Cash and balances at bank	865,759,423	863,571,258	2,188,165	—	—	—
Loans and advances to customers	2,278,905	154,278	172,941	526,500	569,178	856,008
Other assets	5,489,956	—	5,489,956	—	—	—
Total contractual inflows	873,528,284	863,725,536	7,851,062	526,500	569,178	856,008
Customer deposits	(854,820,499)	(854,820,499)	—	—	—	—
Other liabilities	(2,981,622)	—	(2,981,622)	—	—	—
Accruals and deferred income	(1,827,783)	—	(1,827,783)	—	—	—
Total contractual outflows	(859,629,904)	(854,820,499)	(4,809,405)	—	—	—

Notes to the Financial Statements

for the year ended 31 December 2023

31 December 2022	£ Total	£ On demand	£ Up to 3m	£ 3-12 months	£ 1-2 years	£ 3-5 years
Cash and balances at bank	11,635,096	11,635,096	—	—	—	—
Debt securities	9,972,583	—	9,972,583	—	—	—
Loans and advances to customers	10,446	10,446	—	—	—	—
Other assets	3,807,507	—	3,807,507	—	—	—
Total contractual inflows	25,425,632	11,645,542	13,780,090	—	—	—
Customer deposits	(1,243,492)	(1,243,492)	—	—	—	—
Other liabilities	(1,449,973)	—	(1,449,973)	—	—	—
Accruals and deferred income	(589,981)	—	(589,981)	—	—	—
Total contractual outflows	(3,283,446)	(1,243,492)	(2,039,954)	—	—	—

Financial liabilities comprise customer deposits. The undiscounted contractual cash flows arising from these financial liabilities total £854,820,499 (2022: £1,243,492), which are due on demand.

INTEREST RATE RISK

At 31 December 2023 the main interest-bearing assets and liabilities were balances held at central banks of which £845,931,427 were accruing interest at the Bank Rate and credit balances on current accounts of £784,877,298 which were earning interest at 0.9% below base rate and advances to customers which were at managed rates. Interest rate risk is managed within the risk appetite set by the Board.

At 31 December 2023 the sensitivity of the value of the Company's equity to a parallel upward or downward shift in the yield curve by 200 basis points was as follows:

	2023 £	2022 £
200bp upward shift	30,518	209,401
200bp downward shift	(31,155)	(216,670)

Notes to the Financial Statements

for the year ended 31 December 2023

23. Capital Management (Unaudited)

The Company manages its capital in order to ensure that it maintains appropriate financial resources to support its strategy and meet regulatory requirements.

All the Company's regulatory capital is in the form of Core Equity Tier 1 capital and stands at £14,288,553, which is equal to the shareholders' funds. This capital ratio is 46% and the regulatory requirements are met.

The regulatory capital requirements are set by the Prudential Regulation Authority (PRA) under the Capital Requirements Regulation and Capital Requirements Directive, following review of the Company's own Internal Capital Adequacy Assessment Process (ICAAP) document. The PRA sets a total capital requirement (TCR), which is in excess of the minimum Pillar 1 requirement of 8% of Risk Weighted Assets. The Company is also required to meet the minimum capital requirement of €5m set out in Article 12 of the Capital Requirements Directive.

The Company has opted to adopt the Standardised Approach to capital requirements for credit risk.

24. Share-Based Payment Transactions

All new employees receive share options when they join the Company and may be granted further share options as a reward for performing well and to incentivise them to make Kroo a success.

The share options issued are equity settled with no cash settlement options. Options typically vest evenly over four years with a one year cliff.

Kroo's expense for the share options granted to employees is recognised over the period between the grant date and the vesting date of those options. The overall cost of the option award is calculated using the number of options expected to vest and the fair value of the options at the grant date. The overall cost is recognised as a personnel expense, with a corresponding increase in share based reserves within equity, over the period that employees provide services. This is generally the period between the award being granted or notified and the vesting date of the options.

The fair value is determined using the Black-Scholes model which takes into account the terms and conditions attached to awards. Inputs into the valuation model include the risk-free rate, an estimate of the market share price and the expected volatility of the share price. The market share price is assessed using the pricing achieved in the round immediately preceding the issuances.

Kroo operates one equity share options scheme which has been approved by HMRC as a Company Share Option Plan (CSOP).

Notes to the Financial Statements

for the year ended 31 December 2023

The main assumptions used in deriving the value of the options at grant are shown below:

Valuation assumptions	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
Timing	2020	2021	2022/23	2023
Exercise price	0.86	1.05	1.21	1.43
Share price	1.25	1.25	1.57	2.04
Risk free rate	1.00%	1.00%	3.00%	3.40%
Volatility	50%	50%	50%	40%
Dividend Yield	Nil	Nil	Nil	Nil
Expected life	8.8 years	10 years	4 years	4 years

The expected volatility was determined by assessing the historical volatility of listed peers and comparable private companies to obtain an estimated implied volatility. The total expense for the year ended 31 December 2023 was £760,478.

The movement in the number of options outstanding during 2023 is as follows:

	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 4**	**Total**	**Weighted average exercise price**
Issued or promised:						
At 1 Jan 2023	794,910	1,489,464	1,331,750	—	3,616,124	£1.07
During 2023	—	—	161,500	1,099,069	1,260,569	£1.40
Lapsed during 2023	(47,011)	(168,772)	(99,343)	—	(315,126)	£1.07
Exercised during 2023	—	—	—	—	—	n/a
At 31 Dec 2023	**747,899**	**1,320,692**	**1,393,907**	**1,099,069**	**4,561,567**	**£1.16**
Recognised:						
At 1 Jan 2023	686,390	595,228	185,563	—	1,467,181	£0.98
During 2023	50,728	296,646	368,777	211,786	927,937	£1.19
Lapsed during 2023	(20,209)	(8,333)	(7,418)	—	(35,960)	£0.98
Exercised during 2023	—	—	—	—	—	n/a
	716,909	**883,541**	**546,922**	**211,786**	**2,359,158**	**£1.06**

The first part of this table shows share options formally granted or promised but not yet granted. Options are formally granted in batches following the agreement of a share valuation with HMRC. Most options vest over a period, and are recognised in the statement of comprehensive income as they vest. Typically shares vest on a straight line basis over a period such as four years, with the vesting for the first twelve months delayed until the completion of the twelve month period. For accounting purposes this initial delay in vesting is ignored.

25. Related Party Transactions

During the year ended 31 December 2023, members of the Board of Directors and members of the Management Committee held personal current accounts and unsecured personal loans. At 31 December 2023, credit balances on personal current accounts totalled £122,592 (2022: £24,395) and balances on loans and advances totalled £7,248 (2022: £nil).

	2023 **£**	**2022** **£**
Directors - Current Accounts	82,934	18,926
Directors - Loans and advances	2,433	—
	85,367	18,926

	2023 **£**	**2022** **£**
Other key management personnel - Current Accounts	39,658	5,469
Other key management personnel - Loans and advances	4,815	—
	44,473	5,469

At 31 December 2023 parties related to the Directors held credit balances in current accounts totalling £25,025 (2022: £575) and parties related to other key management personnel held credit balances in current accounts totalling £65,050 (£2022: £10,413).

In the period, key management personnel acquired shares in Kroo Bank Ltd for a total consideration of £1,501 and parties related to key management personnel acquired shares in Kroo Bank Ltd for a total consideration of £1,801.

The remuneration of directors and other key management personnel is set out below:

	2023 **£**	**2022** **£**
Directors' salaries	422,507	352,692
Directors' fees	322,000	230,346
Directors' private healthcare costs	2,051	—
Pension scheme contributions	2,642	2,642
Share based payments for directors	319,252	237,610
	1,068,452	823,290

	2023 **£**	**2022** **£**
Other key management personnel salaries	881,374	675,347
Other key management personnel fees	65,500	48,000
Private healthcare costs	4,798	—
Pension scheme contributions	6,274	4,233
Share based payments	105,086	20,084
	1,063,032	747,664

26. Post Balance Sheet Events

On 29 February 2024 the Company issued 435,345 shares to new and existing investors for a total consideration of £0.9m. There have been no other significant events between 31 December 2023 and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.