

Company number 10842931
GRIFFIN BANK LTD



The bank you can build on

Annual Report and Financial Statements
For the 15 months ended 30 September 2023



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Throughout this document, "Griffin", "the Bank" and "the Company" refer to Griffin Bank Ltd

Summary

Summary information

Purpose

Griffin makes it easy for companies to build and launch their own financial products. We will lower the barriers to entry for fintechs and brands by doing the heavy lifting on complex infrastructure and compliance requirements. We are aiming to be the world's first global embedded finance platform.

David Jarvis, Founder and CEO



Milestones

During the mobilisation period we continued to develop our platform and established contracts with several early customers ahead of our full commercial launch. We received full authorisation from the Prudential Regulation Authority (PRA) on 29 February 2024.

Griffin has been well supported by its investors over the last few years and has raised £31.4m up to the end of September 2023. Further funding of £19.1m was raised in February 2024¹ which provided enough regulatory capital to exit mobilisation and to launch commercially as a UK bank.



Company registration number

10842931

Registered office

9th Floor 107 Cheapside
London
United Kingdom
EC2V 6DN

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

¹ See note 1 to the Financial Statements



Summary (continued)

Financial and non-financial highlights

Gross revenue in the period grew to £486,955 as we developed our treasury strategy and placed our High Quality Liquid Assets (HQLA) in a money market fund that invests in short dated UK gilts. We also received our first customer revenues from our Verify product which launched in September 2022.

As we invested in our technology platform and the people who build it, we expected to make financial losses which were £12.7m during this period. This investment has allowed us to complete the build of our core technology platform, which provides safeguarded accounts, client money accounts and Faster Payments functionality.

We held a strong financial position throughout the financial period. At the end of September 2023, our balance sheet total equity was £8.8m and our Common Equity Tier 1 (CET1) ratio, a key regulatory capital measure, was 456%. As noted above, we have since strengthened our financial position by raising further capital of £19.1m in February 2024.

The company grew in the period to 76 people ("Griffings") as we brought on more talented software engineers and product managers to build our platform. These represent over half our people. We also strengthened our Risk, Compliance, Operations and Finance functions to meet the standards required by banking regulations.

One of the unique ways we engage our customers and prospects is by providing an all-access sandbox testing environment, which allows them to build prototypes and test integrations. It was really encouraging to see that our customers and over 300 prospective customers have used our sandbox during the 15 months to September 2023.

Strategic Report

Chief Executive Officer's report

"The end of the beginning."

Griffin is a platform for programmable finance that supports and empowers technology-enabled companies of today and the future. One of our key insights from day zero was we would need to become a bank to realise this vision - otherwise, we would be forever limited by partners who did not clearly understand the needs of the customers we sought to serve.

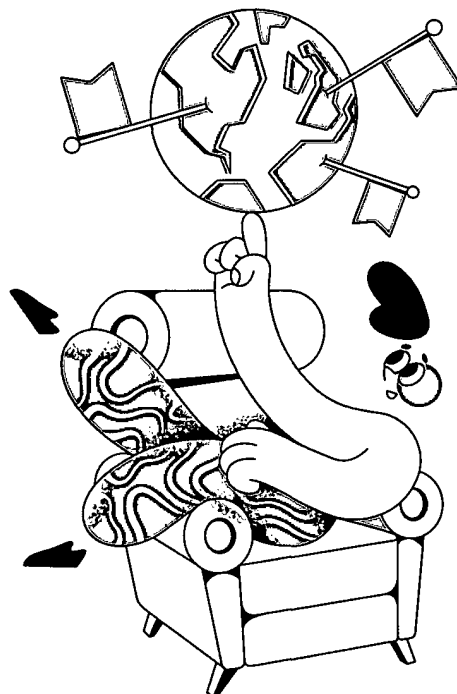
It is my great joy to say that Griffin successfully achieved that milestone this year, becoming authorised as a bank with restrictions by the PRA and FCA. This, concurrent with support from our investors, has enabled us to go on to run a hugely successful pilot program, Launchpad, which has brought us an incredible initial cohort of customers that we are thrilled to be taking live in early 2024.

We filled a number of key executive roles in 2023, including Chad Ryan (Chief Financial Officer), Dora Grant (Chief Risk Officer) and Sameer Dubey (Chief Product Officer) - all of whom bring a healthy mixture of deep banking and fintech experience. I feel it is the rare CEO who experiences a flush of pride and joy every time they interact with their colleagues, and I am privileged to be one of them.

The next year will be a busy one. We've had five years to sharpen our pencils - now comes the time for us to deliver.



David Jarvis
Co-founder and Chief Executive Officer
14 March 2024



Strategic Report (continued)

Chair's report

"Looking ahead, the Board will remain focused on strong risk management and guiding the executive management to ensure good customer outcomes as we scale the business."

Over the last fifteen months, we have built Griffin into a fully operational bank, putting in the foundations to launch the business as we exit mobilisation. Earning the banking licence was a huge achievement, and it has been a pleasure to see the team smoothly execute the final steps of mobilisation in readiness to make a real impact in the market. The ability of the leadership team to raise the necessary capital was impressive, and demonstrates the confidence that our existing and new investors have in our business model and ambitions.

It is not just our new purpose-built banking platform that has come to life during mobilisation. The operational risk, financial crime and risk management frameworks have been expertly implemented, embedding best practice risk management into our culture and the way we do things across Griffin.

Reporting and monitoring has been put in place to ensure that our governance structures have all the relevant information we need to oversee the business day-to-day. This has allowed the Board, and its subcommittees, to work really well with great effect.

We are particularly pleased to see the work we have done to develop and embed our approach to the new Consumer Duty regulations. These will provide the framework for good conduct and for us to grow safely and sustainably, with good customer outcomes at the heart of everything we do. As Griffin's Consumer Duty Champion, this is something I continue to push forward.

This year we welcomed Kirsten Ashman as an independent non-executive director and Chair of the Board Audit Committee. Kirsten brings a wealth of audit and banking experience, having worked both in practice and in industry over the past 13 years. She joins us at an exciting time, and has already provided valuable contributions to both our external and internal audit processes. The Board Audit Committee has been busy and Kirsten's leadership has helped us move forward safely at pace.

We have also welcomed Chad Ryan, our Chief Financial Officer, who joined us in January 2023, and joined the Board in September 2023. Chad has over 15 years of experience as a finance leader in both fintechs and traditional banks, having held senior roles at Starling Bank, Virgin Money and Lloyds Banking Group.

With Allen Rohner, our co-founder and CTO, stepping down from the Board as a director, but remaining as an observer, these moves complete the changes to the Board, which has a majority of independent directors. I must thank my fellow independent non-executive directors for the support and work that they have put in during the last 15 months. Their knowledge, experience, challenge, advice and willingness to be flexible to attend numerous additional meetings has been an important factor in our being ready to exit mobilisation. I believe we are fortunate to have such a well-balanced and skilled Board.

We have made a number of other hires in leadership positions, and it's the brilliant people that we work with at Griffin that gives me real confidence about the exciting next chapter in our story.

We recognise there are many macroeconomic challenges that customers and businesses face today, but we are confident in our strategic approach to mitigate, and help our customers mitigate, these risks. We have developed great relationships with our regulators, customers, and shareholders, and we will work hard to ensure that their trust in Griffin is rewarded. We continue to improve our governance, including further developing our approach to ESG. These are all areas that are embedded in the culture of Griffin and that's what makes it such an attractive place for people to work.

Strategic Report (continued)

Chair's report (continued)

As we exit mobilisation and launch with our first customers, the resilience of our systems and controls will be key to our success. The Board will continue to challenge the Executive team to deliver the very best in these areas and deliver on our aspirations to be the market leading provider of banking services to our customers.

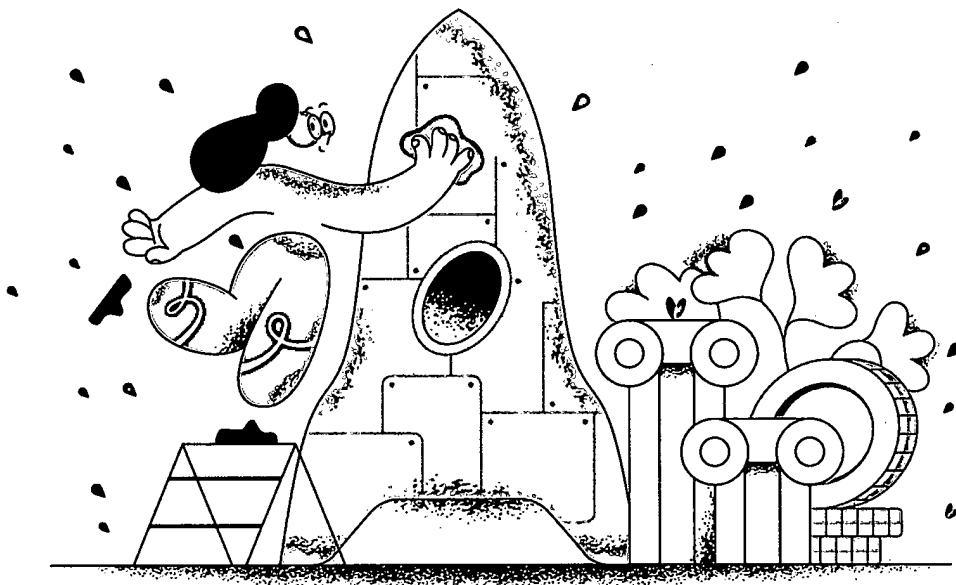
I would like to say a big thank you to David Jarvis, co-founder and CEO, his Executive team, and all Griffings for their commitment and dedication. Having been through a start-up seeking a banking licence before, I and the Board fully understand the amount of work that has been needed to get us to this point. We are confident we have a high quality and diverse team in place to take Griffin forward.

Finally, I would like to acknowledge and thank our investors for their continued support. We recognise that these have been, and continue to be, challenging times but our investors have remained rock solid in their support throughout. I should also call out our investor directors, who really do go that extra mile in providing support and advice.

I am proud of what we have achieved, and excited about the opportunities and challenges that we face to see us build on our great foundations next year.

John Weguelin

John Weguelin
Chair
14 March 2024



Strategic Report (continued)

Business model and strategy

Rationale

There is a growing market for embedded finance. Embedded finance is the integration of financial services - such as current accounts, lending and payment processing into non-financial businesses - without the need to use traditional banking solutions. However, launching a financial product is still a long, complicated and expensive process and the existing ecosystem is fragmented.

The market is ready, with 8 out of 10 people aged 18-34 saying they would consider purchasing financial services from a technology company rather than a traditional financial services company. 78% of merchants think of their payments provider or e-commerce platform as their main business partner instead of their bank.

How

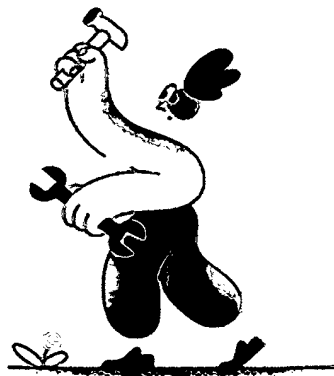
We will do this by providing a "full stack" Banking as a Service (BaaS) platform, which allows our customers to access every piece of banking infrastructure they need in one place, and quickly and seamlessly connect their own products with Griffin's technology via a purpose-built application programming interface (API).

They are also able to manage their customers, products, and business banking needs through a straightforward user interface ("UI"). Griffin's integrated compliance services enable us to significantly reduce the cost and time sink of onboarding our customers compared with incumbent banks. With a technology-centred strategy and products built in-house and in line with industry best practice, Griffin can also offer an exceptional level of customer support and respond quickly to evolving market needs.

Target sectors and products

Griffin's overall target market can be split into four broad segments: financial technology startups and early stage firms, established financial services firms, credit-seeking corporates, and term depositors.

As we launch in Q1 2024 we will initially provide these direct customers with business current accounts and interest-bearing deposit accounts, with credit lending products due later in 2025. Key to our proposition is enabling our direct customers to offer bank accounts, payments, cards and lending to their own customers, and providing onboarding and financial crime prevention tools to manage these "nested" customers.



Strategic Report (continued)

Business model and strategy (continued)

Strengths

We've built our own modern, event-driven core banking system with the following features:

- Best-in-class APIs for fast, straightforward integration.
- Built for scale from day one.
- Immutable architecture logs all events for audit and analysis.
- Machine learning based fincrime prevention technology.
- Expertly designed compliance workflows purpose-built for the embedded finance space.

Our platform offers a modern Software as a Service (SaaS) experience and the best developer experience by enabling engineers to immediately start building and testing in our sandbox environment for free. We deliver operational excellence at the highest standards, which is how we earn and keep the trust of our major stakeholders.

Near-term objectives

Our near-term focus has been exiting mobilisation as a fully operational bank.

The mobilisation phase is the period allowed by the regulators for new banks to build out their infrastructure, systems and risk management in anticipation of a full banking licence. We completed our exit in March 2024.

We have also raised a further £19.1m of capital in February 2024² which will support our commercial launch.

In the remainder of 2024 we intend to build out a wider suite of products for our direct customers and their customers.

Our unique selling points

We believe we have established a number of unique selling points (USPs) that make us attractive to our customers:

- Frictionless, self-service setup.
- Developer-friendly, with an accessible sandbox to build, iterate, and test fully-functional financial products.
- Modern APIs designed for innovators to build and integrate with at speed.
- Clear, concise, public documentation across our API and UI to help users find value quickly.
- Our pricing is simple, transparent and less expensive.
- No hidden fees or non-disclosure agreements (NDAs).



² See note 1 to the Financial Statements

Strategic Report (continued)

Financial and business performance

Summary of the statement of comprehensive income

	15 months ended 30 Sep 2023 £	12 months ended 30 Jun 2022 £
Interest income	370,741	6,612
Interest expense	(163,620)	(139,817)
Fees and commissions	116,214	10,000
Fees and commissions expense	(31,879)	(10,000)
Total revenue	291,456	(133,205)
People costs	(10,238,452)	(3,738,401)
Other administrative expenses	(2,667,684)	(1,642,871)
Other operating costs	(104,904)	(40,782)
Loss before tax	(12,719,584)	(5,555,259)
Other gains and losses	(1,108)	(4,142)
Loss for period	(12,720,692)	(5,559,401)

During the period, Griffin achieved a number of key financial milestones including raising £11.2m of equity capital and earning revenue from its first customers. We have also developed a pipeline of contracts with potential customers that will come on board in the near future and significantly increase revenue in the coming year.

The loss for the period was in line with expectations at £12.7m as we invested heavily in developing our core banking technology platform and building our risk management systems and associated functions.

Revenue was from various income lines. Interest revenue was from placements of the capital we have raised in a short term money market fund that invests in UK gilts. Fee revenue relates to our financial crime product, Verify, and from initial fees from our new and prospective customers.

Key performance metrics

As a result of the investment in developing our business, and in the extension of the reporting period to 15 months, costs grew by 141% from £5.4m to £13.0m. The single biggest expense line was people costs which were £10.2m in the period (2022: £3.7m). Growth in people costs was largely driven by developing our capabilities in our engineers and developers required to build our banking platform. As a result, the average headcount grew from 34 to 63. Other administrative and operating costs included professional fees of £1.2m (2022: £0.6m) relating to our outsourced third line of defence audit function and professional advisor fees associated with regulatory and legal advice during our mobilisation phase.



Strategic Report (continued)

Financial and business performance (continued)

Summary of the statement of financial position

	30 Sep 2023 £	30 Jun 2022 £
Cash and cash equivalents	270,150	11,048,648
Money market funds	8,551,308	-
Other assets	1,410,256	830,174
Total assets	10,231,714	11,878,822
Trade and other payables	776,298	936,329
Borrowings	579,173	1,356,608
Other liabilities	115,000	-
Total liabilities	1,470,471	2,292,937
Equity	8,761,243	9,585,885
Equity and liabilities	10,231,714	11,878,822

During the period, we moved our cash placements at high street banks and newly raised capital into short term money market funds that qualify as HQLA for regulatory purposes. These will provide us with liquidity to manage inflows and outflows associated with our customers. At the end of the period, we held £8.6m in money market funds.

We also progressively repaid £0.8m of a loan during the period, which stood at £0.6m at the end of the period.

Within other liabilities, balances are primarily comprised of deferred income. Customer deposits were limited to test activity and stood at £Nil at the period end.

Equity stood at £8.8m at the end of the period, following raising £11.2m during the period. The CET1 ratio stood at 456% at the period end.

Subsequent events

After the financial period and as noted above, the Company raised £19.1m of new capital which allowed us to exit mobilisation and to launch commercially as a UK bank in 2024.

Strategic Report (continued)

Environmental, Social and Governance (ESG)

At Griffin, our focus has always been on doing the right thing the first time, on being as transparent and open as we can be about the decisions we make, and on being deserving of the trust placed in us by our customers, regulators and other stakeholders. As a new bank, we have a unique opportunity to lay the foundations of an organisation that creates long-term positive impacts not just for our stakeholders, but for our society and our planet as whole. Analysing ESG issues is a useful lens for understanding how and where we can create these positive impacts and embed environmentally and socially responsible practices into our business operations, along with high standards of governance.

We recognise that our regulators are encouraging banks to embed ESG risks such as climate change into their risk frameworks and that diversity and inclusion and corporate sustainability are areas of focus for the PRA and the Financial Conduct Authority (FCA). We have appointed our CEO as responsible for ESG risks and championing our sustainability agenda, whereas the Chief Risk Officer is the Senior Manager Function (SMF) holder that oversees climate change. We see the growing focus on ESG as an opportunity which supports our main objective of having a viable and sustainable business model. We also want to be a role model for our stakeholders and are committed to the highest standards of ethical conduct and corporate governance.

As a new business, we are in the early stages of developing our sustainability strategy, and some aspects of our ESG approach are more mature than others. We recently conducted an initial materiality assessment using the National Social Value Measurement Framework to identify priority areas. We have also recruited a Head of Sustainability to oversee our sustainability agenda going forward.

Environmental

We are committed to reducing our environmental impact and supporting the transition towards a net zero economy. We recognise that as a financial institution, our impacts go far beyond our operations, and that's why we're committed to working with customers, suppliers, investors, and our investment assets to align to net zero goals.

We have engaged with a specialist carbon consultancy and software provider to measure our carbon footprint and establish our baseline, aligning to Greenhouse Gas Accounting standards (used by 92% of Fortune 500 companies). Our total emissions footprint for the period 01/10/2022-30/09/2023 was 222 tonnes CO₂e. This equates to 3.47 tonnes CO₂e per average employee, which is slightly lower than the 3.5-5.5 tonnes average per employee observed in other tech groups, according to our specialist consultancy. We will be doing further work to understand how we compare with similar banks. This disclosure is voluntary, and Griffin is not within the scope of Streamlined Energy and Carbon Reporting Regulation (SECR).

While this is a good start, we are committed to net zero operations by 2027, reducing our direct emissions (including business travel, employee commuting and portfolio emissions) as much as possible and compensating for the remaining emissions through high-quality carbon removals. We are also committed to a net zero value chain (across all our emissions) by 2035. This represents a long-term target to ensure that we are constantly calibrating and improving our business as international measurement standards evolve. We will review and publish an annual carbon footprint report and are developing our reduction plan to support our net zero commitments.



Strategic Report (continued)

Environmental, Social and Governance (ESG) (continued)

Additionally, in line with PRA guidance (Supervisory Statement 3/19) we have developed a framework for identifying and monitoring our exposure to the financial risks from climate change, which we have embedded in our Internal Capital Adequacy Assessment Process (ICAAP). We are working to embed climate risk considerations into the way we do business more widely.

People

A diverse workforce and inclusive working environment is essential for healthy decision-making and risk culture. It's also crucial for attracting and retaining talent. That's why we've set targets for minority, gender and ethnicity, and gender pay gap that we monitor in our risk appetite statement. Making sure our people are healthy and happy is key to Griffin's success, and having the right setup, policies and tools to support our team are critical to doing that. We try to ensure that the environment they work in is flexible and supportive. Our hybrid working model helps us to attract a diverse and talented workforce some of whom work in other countries.



At least once a month we hold "All hands" meetings where we share business and team updates and have a weekly drop-in for any employee to meet with members of our Executive team. These also provide the opportunity for people to ask questions and raise issues that are important to them. We also conduct employee engagement surveys regularly. Professional development is also key for us and this period we invested in a new online learning system, Minerva, which not only provides direct compulsory training to meet regulatory requirements but is also a wider portal for self development. We also take the opportunity to meet up regularly on a face to face basis and have offsite meetings attended by most of our colleagues at least once a year to discuss longer term strategy and maintain relationships. We have policies to support our relationship with our people which cover remuneration, diversity, equity, belonging and inclusion, speak up, whistleblowing, and health and safety. To help our colleagues in their home working environment we support the purchase of appropriate office equipment and have specifically designed on-line health and safety training modules.

Governance

We hold ourselves to the highest standards of conduct at all times and strive to be deserving of trust. We make sure these values are embedded in our business strategy and throughout Griffin in our culture and through our core values and behaviours. We ensure our Board and senior management team are equipped to lead Griffin as a high-performing and ethical business. We are also preparing to submit to B Corp, a voluntary certification scheme for companies who uphold high environmental and social performance.



The Board of Directors has a duty to promote the success of the Company for the benefit of its members whilst having regard to the matters set out in section 172(1) of the Companies Act 2006. The Board confirms their approach to these matters in the statement on pages 30 to 32.

Strategic Report (continued)

Environmental, Social and Governance (ESG) (continued)

Suppliers

We recognise the importance of working with suppliers who also uphold high sustainability standards. We start managing this at the start of our vendor selection process, which manages the early due diligence and onboarding of our suppliers. Ongoing management is governed by our Third Party and Vendor Selection Policy. We will review the controls implemented by our key suppliers and will hold regular meetings with them to ensure the highest standards are being upheld.



Customers

We believe in treating our customers fairly, being transparent, and helping any vulnerable customers we may have in future. Successful customer outcomes are an important focus for us and to reflect this, we have appointed our Chair of the Board of Directors in the role of Consumer Duty Champion. In line with FCA requirements, we completed our Consumer Duty Plan and have set risk appetite metrics to monitor Consumer Duty requirements.



Strategic Report (continued)

Culture

Culture is the most important asset we have. It allows us to move quickly with a high default level of trust and autonomy.

We document our culture explicitly, because *culture happens whether it is explicit or not*. We would rather have the culture we choose than the one we end up with. We safeguard our culture by being transparent, hiring the right people, and maintaining policies and frameworks that reinforce the culture we believe in.

We care about quality and aim to do things to a very high standard. This helps us to deliver a great experience for our customers, investors, partners, regulators, and other Griffings.

We would rather not do things at all than do them badly. This approach has two benefits:

- It saves us the time and money that we would have spent doing the thing to a poor quality
- It saves everyone from being on the receiving end of the poor quality thing we did

Ultimately, we don't try to change something *until we understand why it is the way it is*.

We are a bank *and* a technology company. The technology industry is fundamentally one of disruption and change. In contrast, banking is a conservative industry. We are comfortable doing things differently - but only where we understand why things were a certain way to begin with.



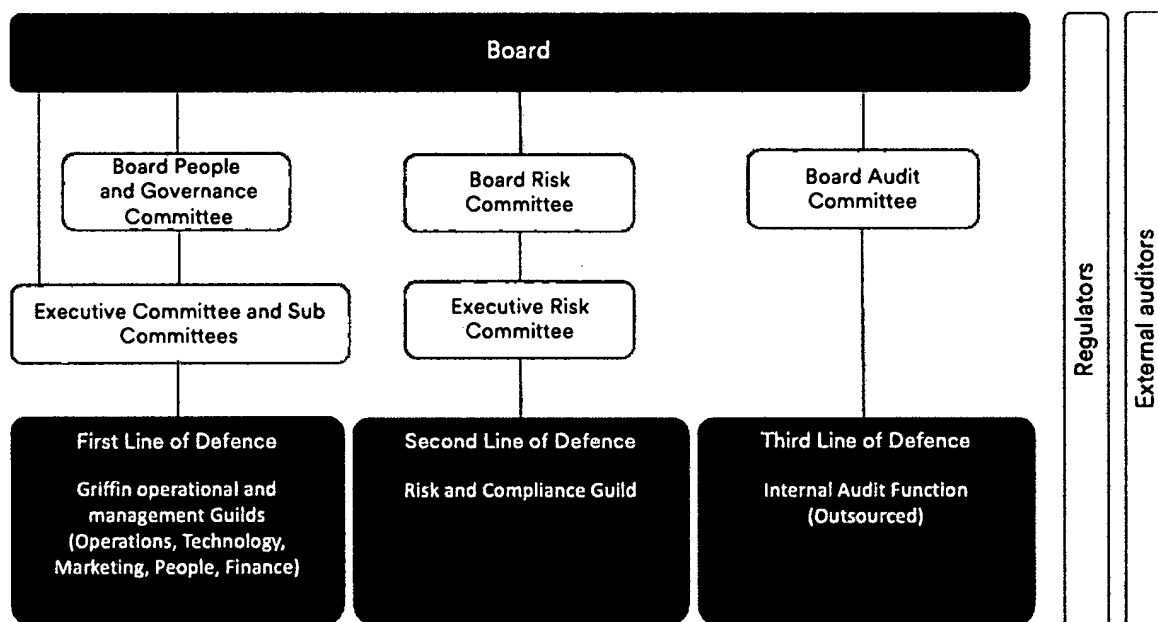
Risk Management

Three lines of defence model

Our common goal is to make Griffin a viable and sustainable business, which includes adding value to our shareholders, customers, staff and society in general. We understand that in this journey we take risks. To respond to those, we develop tools and frameworks to manage risk. Our goal is not always to avoid risks but to make informed decisions. The Three Lines of Defence model is an operating model used by financial services firms to maximise our ability to take risks in a controlled way. The role of the three lines are as follows:

- The First Line of Defence is responsible for managing and owning the risks arising from their day-to-day activities, ensuring that there are effective controls in place to mitigate those risks in line with our Enterprise Risk Management Framework (ERMF). This line is formed of the operational management guilds. The Risk and Compliance guild, reporting to the CRO, are collectively known as the Second Line of Defence. The Second Line also provides guidance to the First Line.
- The Second Line of Defence is responsible for building the frameworks that provide the tools needed by the First Line to manage their risks. They are responsible for overseeing and challenging the risk management activities owned by the First Line to ensure that Griffin stays within the risk appetite set by the Board and meets good practices and regulatory requirements. The Risk and Compliance guild, reporting to the CRO, are collectively known as the Second Line of Defence. The Second Line also provides guidance to the First Line.
- The Third Line of Defence is Internal Audit, which is responsible for providing independent assurance that the First and Second Lines are operating effectively.

The diagram summarises the responsibilities and reporting lines of the Three Lines of Defence and the Board and its sub-committees.





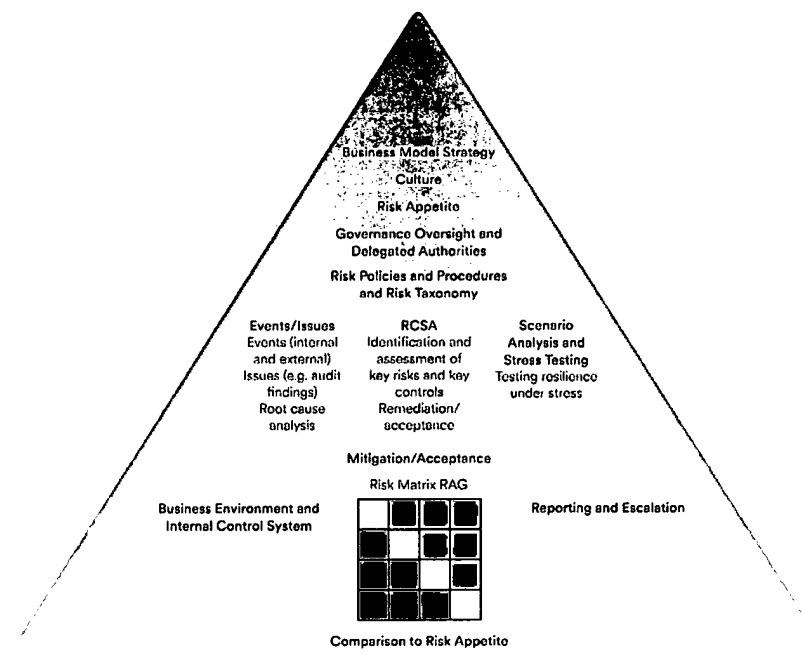
Risk Management (continued)

Enterprise Risk Management Framework

As a newly established bank, our customers, our people, our Board and our regulators all expect us to manage our risk effectively and responsibly.

At the heart of our risk management processes is the ERMF. This sets out the minimum standards and practices we follow when we manage risk, helping all our people to identify, assess, mitigate, monitor and respond to risk and ultimately make risk-based decisions. It also establishes the overall culture, roles and responsibilities, and tools for risk management across Griffin.

The ultimate objective of the ERMF is to ensure that Griffin's risk position - both overall and for each principal risk - remains within the Board's stated risk appetite. The ERMF also aims to ensure the Board's risk appetite is aligned with Griffin's strategic goals, values, business strategy, regulatory environment and stakeholders' expectations.



Business model and strategy

Griffin has a business model that makes us different to our competitors and a strategy to deliver that model. The business model is reviewed annually and shows where we want to be in the next 3 to 5 years. Our objective is to be a viable and sustainable business at all times. The Board decides business model and strategy, after considering market trends, our financial position and the emerging risks that could threaten us.

Culture

We take a proactive, considered approach to growing and nurturing our culture, and our core values and behaviours are foundational to how we conduct our business. A good risk culture is key for any firm, but especially in financial services because it allows us to take informed risks and do the right thing for our customers and stakeholders. As a financial services firm, we have added social responsibilities and our objective is to grow sustainably.

Risk Management (continued)

Enterprise Risk Management Framework (continued)

Risk appetite statement

The Board, with the input from the Chief Risk Officer, decides how much risk Griffin is willing to take to make sure we still deliver our strategy. This is called risk appetite and it is captured in our Risk Appetite Statement (RAS) document. The RAS contains a combination of qualitative statements of appetite and quantitative measurable metrics. We define limits and thresholds for those metrics to establish what is within appetite, following an assessment of our risk tolerance (including under stress). We use a traffic-light system to monitor RAS metrics.

Risk policies, procedures and risk taxonomy

Policies are documents that set out the principles for how we run the business and document the things we can and cannot do. Procedures are documents that explain how we meet those policies. Our risk taxonomy is how we categorise the risks that threaten us and underpins the entire framework. It also allows us to aggregate our risks to understand our overall risk profile.

Reporting and escalations

We monitor and report our risk profile to the main governance committees on a regular basis. Whenever a situation occurs that is not within our established limits (e.g. a risk metric is not “green”), we follow pre-defined escalation procedures to warn the relevant bodies and allow them to take timely management actions to make sure that we return to appetite.



Governance, oversight and delegated authorities

The Board of Directors is the governing body of Griffin and their focus is on the oversight of strategic matters. The duties that the Board retains are called “matters reserved to the Board”. Other duties may be delegated to other committees and the day-to-day management is delegated to the CEO, who in turn delegates duties to the Executive team. There are some duties prescribed to Senior Management Function holders (SMFs) that are directly delegated by the Board or its committees to the individuals holding those functions. The delegated authority structure allows escalation when needed and also ensures that the CEO and their team can run the business effectively.

Risk tools

Risk tools include risk event monitoring, near-miss and incident monitoring, risk and control self assessments (RCSAs), scenario analysis and stress-testing. These are tools that allow us to understand risks that have crystallised and could crystallise, and severe events that, although unlikely to occur, are plausible and can put us under severe stress. These tools have been in place throughout the accounting period under review and to the date of approval of the annual report and accounts.

Business environment and internal control system

We identify risks regularly through the RCSA process and through the enterprise risk register. We monitor those risks against appetite. As we mature, we will test the effectiveness of our controls on a regular basis, implementing action plans when this is not the case or accepting risks as allowed per the delegated authority structure. These processes result, at least once a year, in two regulatory documents summarising our Internal Liquidity Adequacy Assessment (ILAAP) and Internal Capital Adequacy Assessment (ICAAP), which explain how much capital and liquidity we need under normal conditions and stressed conditions to meet our regulatory requirements. These documents explain the actions we take in case the risks we face materialise. If those management actions are not effective and we do not manage to return to business-as-usual, we may invoke our Recovery Plan which helps us to deliver management actions to recover from a severe stress. If all options are exhausted without success, the Board may decide to invoke the Solvent Wind Down Plan to wind down the business in an orderly manner.

Risk Management (continued)

Enterprise Risk Management Framework (continued)

Risk taxonomy and principal risks

The risk taxonomy is the frame of reference that allows us to categorise risks consistently across Griffin. All risk management tools and activities within Griffin are mapped to the taxonomy. We have identified nine key principal (Level 1) risks, each of which has a risk appetite set by the Board and policies and processes to mitigate and monitor the risk.

Level 1 risk	Definition	Mitigation, monitoring and policies
Strategic and reputational risks	<p>Risk of direct or indirect financial or non-financial loss due to failure or suboptimal management of strategic and/or reputational risks, in particular:</p> <ul style="list-style-type: none"> Failure to adequately plan or implement our strategy and business plan, or our lack of awareness of macroeconomic conditions, and/or our inability to agree with our shareholder and/or customer needs ("Strategy and business plan risk"). Faulty market intelligence or failure to adhere to our culture and brand resulting in reputational damage ("Reputational risk"). 	<p>Griffin has a strategic planning process. The CEO leads the process with the support of the Executive Committee and the Board. This process includes analysing the market (including the investor market), identifying strategic opportunities and designing detailed product proposals. Griffin's risk appetite monitoring and the ongoing capital and liquidity assessment planning allow us to identify risks and take management actions to make sure the strategy is delivered.</p> <p>Performance against the strategic plan and budget is monitored by the Board throughout the year. There are risk appetite metrics to monitor this risk and performance against the plan including financial metrics.</p> <p>Key policies and documents to manage the risk are the Risk Appetite Statement, Regulatory Business Plan, Strategic Plan, ICAAP and ILAAP.</p>
ESG (including people)	<p>Risk of direct or indirect loss to Griffin, or poor customer and stakeholder outcomes due to Griffin's failure to adequately identify, assess and mitigate climate change, social and governance risks (ESG).</p>	<p>Analysing our ESG risk exposure helps us reduce potential negative outcomes for our business by embedding environmentally and socially responsible practices into our operations, along with high governance standards.</p> <p>We have conducted a materiality assessment to identify and prioritise relevant ESG topics and set risk appetite metrics to monitor these risks and report them to the Board and relevant subcommittees. We have measured our carbon footprint to provide a baseline measurement and committed to net zero. We have conducted an initial climate risk assessment across key business areas. The risk management framework embeds controls that allow us to mitigate ESG risks and we assess climate-related financial risk as part of our ICAAP and ILAAP.</p> <p>Key policies and documents to manage the risk are the New Product Policy, Remuneration Policy, Third Party and Vendor Selection Policy and Procedures, Succession Planning Policy, Employee Fitness and Proprietary Standard and Procedure, Reasonable Steps Framework, SMCR Policy and the Diversity, Inclusion, Equity and Belonging Policy.</p>

Risk Management (continued)

Enterprise Risk Management Framework (continued)

Prudential	<p>Griffin defines prudential risk as:</p> <ul style="list-style-type: none"> Capital risk - the risk that Griffin does not have adequate quality and/or quantity of capital to support our normal business activities and to meet our regulatory capital requirements under normal and stressed conditions. Liquidity and funding risks - the risk that Griffin, although solvent, does not have stable sources of funding in the medium and long term or sufficient available financial resources to enable us to meet our obligations as they fall due, under normal and stressed conditions. 	<p>Capital: The main mitigation we use to manage capital risk is the efficient deployment of existing capital resources and rigorous monitoring of the capital risk appetite metrics to track our capital buffers and survival period. This allows us to understand when further capital injections are required and raise capital in a timely manner.</p> <p>Liquidity and funding: Liquidity resources are actively managed to make sure that they meet net outflow requirements and minimum standards for asset quality. We also produce cash-flow forecasts and monitor actual flows, which allows us to understand the level of liquidity resources that must be held. The vast majority of the deposits are held in HQLA, which is our main mitigation for liquidity and funding risk.</p> <p>Current and forecast levels of capital and liquidity are monitored against the capital and liquidity risk appetites approved by the Board. The capital and liquidity positions are reported to the Assets and Liability Committee (ALCO), Executive Risk Committee (ERCO) and Board.</p> <p>Key policies and documents to manage these risks are the ICAAP, ILAAP and the Financial Risk Management Framework (including Treasury Policy).</p>
Market	<p>Risk of losses in on and off-balance sheet positions arising from adverse movements in market price. Griffin does not hold a trading book or trade in foreign exchange, but we are exposed to fluctuations in interest rates in our banking book. Interest rate risk in the banking book risk (IRRBB) is the risk to Griffin's earnings, economic value, and capital due to the exposure of our banking book to adverse movements in interest rates. IRRBB is the main source of market risk for Griffin.</p>	<p>Griffin's residual exposure is low because we have no trading book and there is a low level of maturity transformation/mismatch in our banking book, with the majority of our cash assets being held in HQLA. Risk appetite metrics are monitored by ALCO, ERCO, Board Risk Committee (BRC) and the Board at their regular meetings. Griffin plans to hedge this risk via matching the portfolio repricing profile.</p> <p>Key policies and documents to manage this risk are the Market Risk Policy and the Financial Risk Management Framework (including Treasury Policy).</p>
Credit	<p>Risk of loss of earnings or capital arising from 1) a borrower or counterparty failing to meet their obligations to Griffin as they fall due or otherwise perform as agreed in the terms of their contract, or 2) due to concentration in our lending book (i.e. concentration to sector, geography or obligor/counterparty). During mobilisation and in the early stages after launch, the main credit risks to which Griffin is exposed are: "counterparty and obligor risk" (risk of default of a counterparty or obligor), and "concentration risk" (risk related to sector, obligor and geography concentration).</p>	<p>We will use a range of techniques to manage credit risk and avoid poor customer outcomes as part of creditworthiness and affordability activities once we start to extend credit. This will include processes such as collecting, applying risk appetite exclusions, verifying income, cash-flows and expenditure, and actively monitoring concentration risk and large exposure limits.</p> <p>Credit risk appetite metrics are monitored by ALCO, ERCO, BRC and the Board at their regular meetings. Credit risk performance will be supported by Second Line assurance (portfolio) review and deep dives on key credit risk themes.</p> <p>Key policies and documents to manage the risk are the Credit Policy, the Exposures policy, the Concentration Risk Policy and the Financial Instruments, Impairment and Other Provisions Policy.</p>

Risk Management (continued)

Enterprise Risk Management Framework (continued)

Conduct	<p>Risk that an action taken by Griffin, or its employees could potentially result in poor outcomes or cause harm to our customers, to the market, or to the wider society, which could negatively impact Griffin's earnings, reputation, economic value, capital.</p>	<p>Conduct risk management is owned by the CEO and the Consumer Duty Champion, who is the chair of the Board. Managing and mitigating conduct risk is a mindset. We mitigate conduct risks by having minimum requirements, systems and controls in place to manage other non-financial risks. We ensure that the Consumer Duty is properly embedded within Griffin and considered in all relevant contexts. Additionally, the Board sets the culture, behaviours and values designed to promote good customer outcomes, and these are cascaded down to the rest of the company. The CEO also sets the tone from the top and promotes a good conduct risk culture across the business. At least annually, the Board reviews and approves an assessment of whether we are delivering good outcomes for customers, consistent with the Consumer Duty. Management information is reported to all the main governance committees to monitor conduct risks.</p> <p>Key policies and documents to manage this risk are the Treating Customers Fairly Framework, the New Product Policy, the Vulnerable Customers Policy, the Conflicts of Interest Policy, the Complaints Handling Standard, the Conduct Risk Management Framework and the Customer Success Standards.</p>
Regulatory compliance	<p>Risk of direct or indirect loss to Griffin or poor customer outcomes due to engaging in unauthorised market practices or due to failure to maintain a good and open relationship with our regulators, to manage legal matters, to comply with regulatory requirements, tax, rules, guidance, internal policies and industry good practices</p>	<p>Griffin's culture empowers staff but also clarifies that the business owns risk and is required to take ownership for compliance with applicable laws, regulations, rules, and guidance. There is mandatory training for all employees and the Board, as relevant to their roles, with completion levels reported to the ERCO and BRC. We hold a monthly meeting with the PRA and FCA and are transparent by default, meaning that we will take a "no surprises" approach to engagement with the regulators. In addition, we have Speak Up processes which ensure the confidentiality, anonymity, and psychological safety of employees who raise concerns that Griffin itself or an individual employee is not acting in compliance with laws, regulations, rules, or guidance.</p> <p>The key documents to manage this risk are the Compliance Manual and the Speak up policy (our whistleblowing policy).</p>
Economic crime	<p>Risk that Griffin might be used to further economic crime, either directly or indirectly by its customers depending on the product or service in question. The main types of economic crime risks to which Griffin is exposed are money laundering, terrorist financing, tax evasion, fraud, bribery and corruption, and sanction breaches.</p>	<p>Risk appetite metrics, and the Economic Crime Business Wide Risk Assessment are monitored by, ERCO, ECC, BRC and the Board at their regular meetings.</p> <p>Key policies and documents to manage this risk are the Economic Crime Policy, the Politically Exposed Persons (PEP) Policy, the Sanctions Policy, the Anti-Fraud Policy and the Anti-Bribery & Corruption Policy.</p>
Operational	<p>Risk of loss arising from inadequate or failed internal processes, people, and systems, or from external events. Griffin considers the following operational risks:</p> <ul style="list-style-type: none"> Operational resilience - technology and information security including cybersecurity. Operational resilience - business continuity and disaster recovery. Operational resilience - supplier management and outsourcing. Process - our processes and the regulations that govern them. Change management. Data privacy and management - confidential and sensitive data. Physical security and premises. Finance - financial control processes and regulatory reporting. Model - including governance of models and validation. 	<p>Through the RCSA process, each guild must identify the operational risks present in their processes, assess these, and implement suitable controls to detect the risks and prevent them from materialising. Any risks identified as being outside risk appetite must be accepted or escalated as described in the ERMF. Key controls include:</p> <ul style="list-style-type: none"> the maintenance and regular testing of business continuity and disaster recovery plans; change management and quality assurance processes, including on new software releases; expert reviews and sign-offs of important business changes; automated controls to detect any breaches or control failures; risk events, issues and incident management processes which ensure that material occurrences are detected, remediated, and closed with a root-cause analysis which records lessons learned and identifies steps to avoid similar future occurrences. <p>Key policies and documents to manage this risk are the Operational Risk Policy, the Internal Loss Data Standards, the Control Attestation Standards, the Risk and Control Self-Assessment Standards, the Scenario Analysis Standards, the Risk Register, the Operational Resilience Framework, the Operational Resilience Policy, the Information Security Policy, the Access Controls Policy and Procedure, the Security and Threat Management Policy, the Incident Response Policy and Procedure, and the Asset Management Policy and Procedure.</p>



Risk Management (continued)

Enterprise Risk Management Framework (continued)

Each Level 1 risk is broken down into further Level 2 risks. These taxonomies reflect the key risks to Griffin, as well as industry good practice (ORX Consortium Taxonomy) and regulatory guidance which we must meet.

Risk Management (continued)

Current and emerging risks

We regularly review our risk register and have carried out a robust assessment of the emerging and principal risks facing Griffin, including those that would threaten its business model, future performance, solvency or liquidity. Operational risk (and non-financial risks in general) are the most critical principal risks for Griffin on an ongoing basis. The following table shows key current and emerging risks to which we are exposed and Griffin's approach to mitigating those risks.

Risk category	Impact on Griffin	Assessment of change in risk	Mitigation of risk
Strategic and Reputational Being unable to raise additional funding and exit mobilisation	Failure to raise sufficient capital could result in delay to our full banking licence and constrain our growth aspirations.	Decreasing. Griffin was able to raise equity capital in February 2023 and most recently £19.1m in February 2024. These funds enabled us to meet the regulatory requirement to hold sufficient capital to successfully exit mobilisation.	Capital raising processes are managed closely by the Board and Executive Committee and include using external professional advisors to obtain access to a wide pool of potential investors. Capital raising processes commence several months ahead of the need to raise capital and forward looking financial plans are used to ensure that requirements are monitored closely.
ESG (includes people) Resources and key person risk	The risk that Griffin is unable to develop processes, systems and controls to exit mobilisation and develop a wider suite of products due to lack of people resources or over-reliance on key people.	Decreasing. We have now successfully exited mobilisation. Griffin has been successful in hiring Second Line professionals, experienced engineers to support product development, and also in senior hires with banking experience to build out functions like Operations.	Hiring plans are closely scrutinised by the Board and the Executive Committee. New share option schemes have been introduced to attract and retain talent. Griffin's culture and working practices provide individuals with non-financial retention benefits such as autonomy, flexibility, and interesting and challenging work.
Strategic and Reputational Risk of a deterioration in macroeconomic conditions	The risk of macroeconomic conditions deteriorating due to geopolitical instability arising from conflicts in Ukraine and the Middle East, leading to inflation, higher costs and business downturn.	Increasing. Both conflicts have impacted inflation in the UK and continue to create uncertainty.	Appropriate monitoring is in place to assess macroeconomic conditions. Budgeting is regularly updated to reflect costs and forward-looking inflation assumptions.

Governance

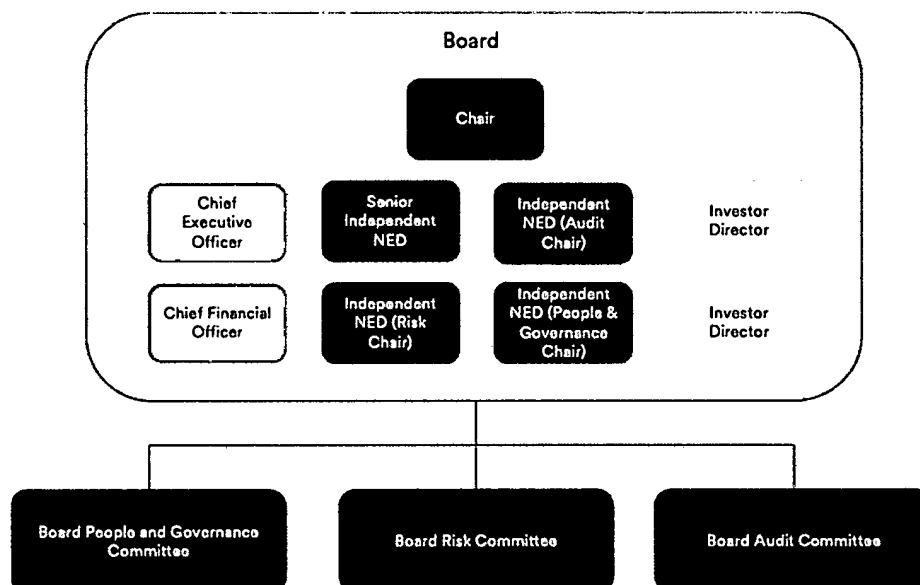
The Board

The Board is responsible for Griffin's overall strategy and the sustainable development of the business. The Board will ensure that Griffin is a reliable and trustworthy counterparty and partner in all its dealings and a positive force in the financial ecosystem. This responsibility includes ensuring Griffin always has adequate capital, funding, and liquidity to achieve its strategic goals, including meeting its obligations to customers and other stakeholders at all times. To achieve this, the Board sets Griffin's business strategy and overall risk appetite, as well as a risk appetite for each of the main risks that Griffin faces. The Board delegates responsibility for implementing the business strategy to the CEO, with support from the Executive Committee.

At a high level, the role of the Board is to:

- establish and uphold Griffin's culture, and embody it in its governance and decision-making;
- set and uphold values and standards that will ensure obligations to shareholders and other internal and external stakeholders are met at all times;
- set the terms of reference for the Board Audit Committee, Board Risk Committee and Board People and Governance Committee; and
- ensure that the business operates within its legal and regulatory frameworks.

The Board meets at least seven times a year. The Board delegates certain responsibilities to its three sub-committees, as shown in the diagram below:





Governance (continued)

The Board (continued)

	<p>John Weguelin, Chair of the Board</p> <p>John joined our Board in August 2019. John was the CEO of Zenith Bank from 2013 to 2017 and prior to that he was the CEO of the European Islamic Investment Bank. He spent 19 years at Bank of America and was COO of its European subsidiary.</p>
	<p>David Jarvis, CEO and Founder</p> <p>David is one of our founders and joined the Board at incorporation in June 2017. David has over ten years of experience in the tech industry, having worked as a software engineer for Airbnb, Xamarin, CircleCI, Standard Treasury, and Aggregate Knowledge. David has also worked as an economist for RCF Economic & Financial Consulting.</p>
	<p>Allen Rohner, CTO and Founder</p> <p>Allen is one of our founders and joined the Board at incorporation in June 2017. He is also a founder of unicorn code verification platform CircleCI. He has developed critical products and infrastructure for leading fintech companies, including Funding Circle. Allen has been a core Clojure contributor since the earliest days of the language. Software written by Allen has been downloaded over 200,000 times. He wrote and published Learning ClojureScript with co-founder David Jarvis in 2016.</p>
	<p>Chad Ryan, CFO</p> <p>Chad joined our Board in September 2023. Chad has over 15 years working in senior positions across banking and fintech businesses. He held a number of director roles in Lloyds Banking Group, before moving to become Finance Director at VirginMoney and CFO at Starling International.</p>
	<p>Amy Kirk, Senior Independent Non-Executive Director</p> <p>Amy joined our Board in November 2020. Amy has held executive positions in lending, risk and operations at Wonga, OneSavings Bank and Bank of America. Prior to moving to the UK, she was Director of Credit for MBNA America. Amy also sits on the Boards of Monzo and FCMB Bank (UK) Ltd.</p>
	<p>Douglas MacLennan, Independent Non-Executive Director, Chair of the Risk Committee</p> <p>Doug joined our Board in June 2020. Doug has ten years of senior management experience in the UK's regulated banking sector. He was the CRO and a Director of Crown Agents Bank. Prior to that, he was CFO for Crown Agents Bank and Director for the Northern Trust Ireland Pension Plan.</p>
	<p>Naomi Trickey, Independent Non-Executive Director, Chair of the People and Governance Committee</p> <p>Naomi joined our Board in May 2021. Naomi has 25 years of experience across people, commercial, operational and product roles, and has spent more than ten years in leadership roles for Software as a Service organisations. She has extensive experience managing rapid scale-ups.</p>
	<p>Kirsten Ashman, Independent Non-Executive Director, Chair of the Audit Committee</p> <p>Kirsten joined our Board in November 2022. Kirsten has over a decade of experience in internal audit and risk management. She has held leadership roles in financial services and worked for firms including Mitsubishi HC Capital, Lloyds Bank, KPMG and PwC.</p>

Governance (continued)

The Board (continued)

	<p>Stephen Chandler, Investor Director (Notion Capital LLP) Stephen joined our Board in May 2022. Stephen has previously served as the Scientific Advisory Board at Infraredx, Inc., Manager of Engineering and R&D at Polymicro Technologies, LLC, and Research Associate at Arizona State University. Stephen is also the Chief Technology Officer at Silica Physics LLC and Gryphon Fiber Optics by Design.</p>
	<p>Tom Mendoza, Investor Director (EQT Ventures) Tom joined our Board in August 2020. Tom is a venture capital partner at EQT Ventures. He started his career in hedge funds at ING and PSAM. In 2010, he founded Tep, the mobile internet service for travellers. His EQT Ventures portfolio includes Cytora, Banking Circle, and Token.</p>

Board sub-committees

The Board People and Governance Committee

The Board People and Governance Committee (BPGC) is responsible for reviewing and making recommendations to the Board on the composition of the Board and its sub-committees, based on the balance of skills, expertise, independence and knowledge that Griffin needs to meet its strategic goals. This committee also reviews the structure, size, composition and performance of the Board and senior management at least annually and recommends changes to the Board if necessary.

It is also responsible for ensuring plans are in place for orderly succession to the Board and senior management positions, as well as their direct reports, and overseeing a diverse pipeline for succession. It makes recommendations to the Board on the independence of non-executive directors, the re-appointment or re-election of directors, and the suitability of any director to continue in office. Recommendations will consider individual performance, participation and contribution to Board discussion, and the overall balance of skills required on the Board.

The committee is responsible for determining Griffin's policy and practices for remuneration, within the framework set by the Board. It establishes these in a way which is consistent with sound and effective risk management and does not encourage risk-taking that exceeds the Board's risk appetite statements.

The BPGC comprises three non-executive directors and is chaired by Naomi Trickey, an independent non-executive director with extensive people leadership experience. The Chief People Officer has a reporting line into the BPGC and can attend committee meetings that exclude other executive directors, if requested. The BPGC meets at least four times a year.

The Board Risk Committee

The Board Risk Committee (BRC) is responsible for overseeing matters related to risk and advising the Board. At a high level, its responsibilities include:

- overseeing the preparation of the ILAAP, ICAAP, Recovery Plan and Solvent Wind-down Plan and recommending them for approval to the Board;
- reviewing and recommending the ERMF to the Board for approval;

Governance (continued)

Board sub-committees (continued)

- making recommendations to the Board on risk appetite statements and the metrics and thresholds used to monitor adherence to these;
- monitoring Griffin's risk profile/position, including its capital position, against the Board's risk appetite statements;
- reviewing the performance and independence of the Guild of Risk to assess whether they have discharged their Second Line of Defence responsibilities effectively, including in relation to the identification, assessment, management, monitoring and reporting of risks; and
- helping to embed a healthy risk culture by providing advice, challenge, and oversight to management.

The BRC comprises three non-executive directors and is chaired by Douglas MacLennan, an independent non-executive director with extensive risk management and governance experience in the UK's regulated banking sector. The CRO and CFO both have reporting lines into the BRC and can attend committee meetings that exclude other executive directors, if requested. The Money Laundering Reporting Officer (MLRO) attends meetings to provide reports on compliance and financial crime prevention. The BRC meets at least five times a year.

The Board Audit Committee

The Board Audit Committee (BAC) is responsible for overseeing and advising the Board on matters relating to internal and external audit, including financial reporting and monitoring the statutory audit and independence of the statutory auditor, and the effectiveness of internal controls relating to the management and mitigation of financial risk and financial reporting risk.

The CRO is responsible for day-to-day management of Griffin's relationship with its outsourced Internal Audit function. Under the Three Lines of Defence model, Internal Audit provides assurance that the First and Second Lines of Defence are performing their roles effectively, and that governance is effective. Internal Audit has a direct reporting line to the Chair of the BAC.

The BAC supports the integrity of Griffin's capital strategy and risk management process by ensuring that all financial information is accurate and relevant, reported in a timely fashion, and processed subject to robust and effective internal controls.

The BAC comprises three non-executive directors and is chaired by Kirsten Ashman, an independent non-executive director with extensive audit experience, and has a majority independent membership with knowledge of financial reporting, and risk and audit practices. The BAC meets at least four times a year.

Governance (continued)

Board sub-committees (continued)

The Executive Committee and sub-committees

The Board delegates implementation of Griffin's strategic plan and the day-to-day management of the business to the CEO, with support from the Executive Committee and its sub-committees. The role of the Executive Committee is to implement the strategy set by the Board. It does this in a manner consistent with the applicable laws and regulations, Griffin's culture and values, and the system of internal controls, and while operating within the Board's risk appetite statements and the ERMF.

The Executive Committee keeps the Board apprised of the state of the business by preparing high-quality management, business, financial and risk information. This information will include:

- breaches and near breaches of risk appetite thresholds;
- breaches of laws, regulations and rules;
- internal control failures and near misses; and
- legal and regulatory matters and concerns.

The Executive Committee meets on a weekly basis and is chaired by the CEO. The Executive Committee delegates certain responsibilities to its four sub-committees: the Executive Risk Committee (ERCO), the Assets and Liabilities Committee (ALCO), the Technology and Operations Committee (TOCO), and the Economic Crime Committee (ECC).

The principal role of the ERCO is to oversee the implementation of the ERMF and promoting a healthy risk and compliance culture at Griffin. Its responsibilities include monitoring risk exposure against the Board's risk appetite for each principal risk and monitoring compliance with relevant laws, regulations, rules and guidance. The ERCO is chaired by the CRO and meets on a monthly basis.

The main role of the ALCO is to ensure that effective capital, liquidity and funding strategies are designed and implemented, and that risks to Griffin's capital and liquidity adequacy and its funding profile are managed within risk appetite. Its responsibilities include managing the development of ICAAP, ILAAP, Recovery Plan and Solvent Wind-down Plan. It also monitors the performance of the Treasury function and reviews Treasury policies. The ALCO is chaired by the CFO and meets on a monthly basis.

The principal role of the TOCO is to support the CTO in developing and maintaining a technology platform and infrastructure which will deliver on Griffin's strategic goals. Its responsibilities include overseeing the development and implementation of Griffin's technology strategy, capabilities, architecture, and execution. It also oversees developments as they relate to technology, operational and cyber security, operational resilience, incident response plans, and business continuity and disaster recovery. The TOCO is chaired by the CTO and meets on a monthly basis.

The ECC supports the Executive Committee's oversight of the development and implementation of Griffin's economic crime monitoring and strategy. It is chaired by the COO and meets a least once a month, or more as the Committee deems appropriate.

Governance (continued)

Directors' report

The directors present their annual report on the affairs of Griffin, together with the financial statements and auditor's report, for the 15 months ended 30 September 2023. The Corporate Governance Statement set out on pages 23 to 27 forms part of this report.

Details of significant events since the balance sheet date are contained in note 29 to the financial statements. An indication of likely future developments in Griffin's business activities are included in the strategic report.

Information about Griffin's use of financial instruments is given in note 26 to the financial statements.

Results and dividends

Griffin's results for the 15 months ended 30 September 2023 are shown on pages 44 to 86. The directors do not propose the payment of any dividend for the period (2022: Nil).

Capital structure

Details of the issued share capital, together with details of the movements in Griffin's issued share capital during the period are shown in note 18. As of 30 September 2023, Griffin has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at the company's general meetings.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over Griffin's share capital and all issued shares are fully paid.

Details of employee share schemes are set out in notes 20 and 23.

With regard to the appointment and replacement of directors, Griffin is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the main Board terms of reference, copies of which are available on request, and the Corporate Governance Statement on pages 23 to 27.

Under its Articles of Association, Griffin had authority to issue 142.6m ordinary shares during the financial period.



Governance (continued)

Directors' report (continued)

Directors

Details of our directors and their biographies are provided on pages 24 to 25. The directors, who served throughout the period and to the date of this report except as noted, were as follows:

John Weguelin (Chair)
David Jarvis
Allen Rohner (resigned 6 September 2023)
Chad Ryan (appointed 6 September 2023)
Amy Kirk
Doug MacLennan
Naomi Trickey
Kirsten Ashman (appointed 30 November 2022)
Stephen Chandler
Tom Mendoza

Governance (continued)

Directors' report (continued)

Section 172 Companies Act 2006 Statement

In performing their duty under section 172, the directors of Griffin Bank Limited have had regard to section 172(1) of the Companies Act 2006. This sets out the matters that our director's must have regard to in fulfilling their duties to promote the long term success of the company, which include the interests of various stakeholders including:

- the likely consequences of any decisions in the longer term;
- the interest of Griffin's employees;
- the need to foster business relationships with suppliers, customers, and others;
- the impact of Griffin's operations on the community and environment;
- the desirability of Griffin maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between Griffin's shareholders.

In making decisions, the Chair and Board have in mind the interests of all stakeholders and that there is proper consideration of the potential impacts of decisions on these stakeholders.

Highlighted below are the main stakeholders in our business and how we take into account their interests in decision making.

Our people

Our people are our most valuable resource.

We encourage feedback from all Griffings and hold regular All Hands meetings hosted by our CEO and others to update our people on our progress, but also to get their feedback on things we are not doing so well. Culture is extremely important to us and our recruitment processes focus heavily on this. Culture inductions are also led by our CEO (see page 14 for further information on Culture).

In this period we rolled out a new online training platform, Minerva, which allows us to deliver tailored curriculums of online training to Griffings. This covers compulsory regulatory training but also wider learning opportunities. In this period, we also introduced new share options schemes so all Griffings can share in the long-term success of the company.

Our remote-first working model provides significant benefits to our people, enabling them to work in the manner that allows them to deliver for Griffin while also providing them with the flexibility which helps deal with the day-to-day issues that life brings. As a remote-first company, we make an extra effort to foster in-person relationships, supported by face-to-face working meetings and engagements.

Our customers

Our customers' interests are at the heart of every decision we make.

As we develop our products, we are having in-depth conversations with prospective customers and are tailoring some of our products to meet the new demands they have, particularly in this high inflation and high interest rate environment. This has led us to focus first on delivering interest-bearing current accounts and savings products to meet the needs of those who cannot get meaningful interest from their existing banking relationships.

Governance (continued)

Directors' report (continued)

The Board has also been focusing on ensuring that Griffin is ready for the new Consumer Duty regulations that the FCA introduced in July 2022. This has included overseeing a Consumer Duty Plan and embedding it in the business. During the period, the Board has also received dedicated Consumer Duty training and appointed the Chair of the Board as the Consumer Duty Champion. Our online training also includes Consumer Duty specific training, including, for example, detailed training on vulnerable customers which is mandatory for all employees. (see pages 7 and 13 for further information on Customers).

Our investors

We are grateful for the ongoing support provided by new and established investors.

Our CEO and other Board members maintain a regular and open dialogue with our investors and they receive regular reports. Two of our largest investors hold non-voting observer seats at our Board meetings, which allows them to give direct input on significant decisions. They and the Board are updated regularly on performance and the progress of our wider plan.

Our suppliers

Key suppliers provide a vital link between us and our customers.

Although we have developed our own banking platform, we are reliant on a number of key suppliers in the banking system and for technology support.

We have set up processes to manage relationships with them, including an onboarding process and a Third Party Arrangements and Vendor Selection Policy. These serve to manage the interests of each party and manage risk issues such as data protection and ongoing service level monitoring. We meet our key suppliers on a regular basis to manage and resolve any issues.

During the period, a number of key suppliers were onboarded including new banking relationships to provide access to Faster Payments for our customers and a regulatory reporting platform to meet our regulatory reporting obligations to the PRA and FCA.

Our regulators

We maintain close and open relationships with our two main regulators, the PRA and the FCA.

As part of our progress to mobilisation and then full authorisation, we have met with both of these regulators on at least a monthly basis. During the period, these meetings have been focused on our progress against the conditions they set for us to achieve authorisation with restrictions, obtained in February 2023, and then most recently on the conditions to exit mobilisation and begin operating without restrictions. Separately, our Chair and other Board members have met with the regulators as part of the approval processes and our ongoing relationship management.

During the mobilisation period, the Board monitored and received regular updates on progress with the conditions mentioned above and was also required to provide attestations on Griffin's readiness to progress into and out of mobilisation.

Governance (continued)

Directors' report (continued)

Community and the environment

We are committed to playing a part in the transition to a net zero carbon economy and believe our digital business model means we are well placed to support this.

It's early days for us, but we have recently recruited dedicated resources to develop our plans around this. Further information regarding our ESG approach can be found in the Strategic Report, pages 11 to 13.

Political contributions

No political donations were made during the period (2022: Nil).

Going concern

Our directors are responsible for assessing Griffin's ability to continue as a going concern and to satisfy themselves that the financial statements can be adopted on this basis. This includes our ability to meet our liabilities as they fall due and whether we hold sufficient capital to maintain our balance sheet and meet regulatory requirements. The assessment has considered the period of more than 12 months from the signing of the financial statements.

In assessing the going concern position, the directors have reviewed a number of sources including the documentation submitted recently to the PRA and FCA as part of the process to exit mobilisation. This included the ICAAP, ILAAP, Recovery Plan and a Capital Raising and Contingency Plan.

These documents contain detailed five year base case financial projections, including profit and loss, balance sheet and cash flows. These financial projections were stress tested to reflect our principal and emerging risks, including both market-wide macroeconomic shocks such as unemployment, but also to reflect idiosyncratic events that may affect Griffin specifically including operational risk events and cyber attacks. Scenarios were created to show the impact of plausible but severe stress events in isolation and in combination. Stress tests from these frameworks were applied to the 12 months after the reporting date to align with the going concern assessment period.

There is a particular focus on the outcome of these shocks for our capital in the ICAAP and liquidity positions in the ILAAP. These processes also set out our plans to mitigate stress events through management actions, which is also a key focus of the Recovery Plan. The analysis also includes "reverse" stress tests, which review scenarios which might cause threats to the business viability.

As part of the process for obtaining our full banking licence, the Board was required to attest that it is ready to launch and we also needed to have in place adequate capital to meet regulatory requirements now and to cover 12 months future growth from the point of full authorisation. To meet this requirement, Griffin raised £19.1m in new investment in February 2024.

After reviewing the financial projections and the associated stress tests, the directors are satisfied that Griffin has sufficient capital, liquidity and other resources to continue for at least 12 months from the date of signing of the financial statements. Accordingly, the going concern basis of accounting has been adopted to prepare the financial statements.

Governance (continued)

Directors' report (continued)

Auditors and disclosure of information

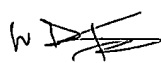
Each director, at the date of approval of this Annual Report, confirms that:

- so far as the director is aware, there is no relevant audit information of which Griffin's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that Griffin's auditors are aware of that information.

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

Deloitte have expressed their willingness to continue in office as auditors.

This report was approved by the Board on 14 March 2024 and signed on its behalf by:



David Jarvis

Chief Executive Officer

14 March 2024

Governance (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors are required to prepare financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 Griffin's 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Griffin will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on Griffin's website.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of Griffin;
- the strategic report includes a fair review of the development and performance of the business and the financial position of Griffin, together with a description of the principal risks and uncertainties it faces; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess Griffin's financial position and performance, business model and strategy.

This responsibility statement was approved by the Board of on [date] and is signed on its behalf by:



David Jarvis
Chief Executive Officer
14 March 2024



Chad Ryan
Chief Financial Officer
14 March 2024

Independent Auditors' Report

to the members of Griffin Bank Ltd

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Griffin Bank Ltd (the "company", "Griffin"):

- give a true and fair view of the state of the company's affairs as at 30 September 2023 and of its loss for the 15 months period then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none"> • Valuation of share-based payments
Materiality	The materiality that we used in the current year was £385,300 which was determined on the basis of approximately 3% of total expenses.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Independent Auditors' Report (continued)

4. Conclusions relating to going concern

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 evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management's going concern review process;
- Evaluating management's judgement paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of management's model;
- Inspecting documentation relating to the share issuance post year end and tracing the cash proceeds to bank statement;
- Performing sensitivity analysis on the key assumptions applied within management's judgement paper and forecasts, particularly in relation to potential effect upon the bank's capital;
- Assessing the ICAAP and ILAAP submissions to the PRA and FCA with involvement of our in-house prudential risk specialists to assess management's capital and liquidity projections and the results of management's capital reverse stress testing;
- Evaluating the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. 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. These matters included 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.

The matter below was 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 this matter.

Independent Auditors' Report (continued)

5.1. Valuation of share-based payments

Key audit matter description	<p>The company has share option plans for all employees to provide an incentive for them to remain with the company and contribute to the long-term success of the business. In accordance with the terms of the plans employees may be granted options to purchase ordinary shares.</p> <p>The valuation and calculation of the share-based payments issued by Griffin are inherently complex and rely on several key management assumptions. The share based payment reserve for Griffin at 30 September 2023 was £1,039,179, as shown in note 20.</p> <p>Griffin has unapproved options granted in parallel to the CSOP options ("Parallel Unapproved Options"). Employees can exercise either the CSOP options or Parallel Unapproved Options. Management is required to make a judgement with regards to the proportion of employees who will exercise each scheme in the future. There is a risk the judgement made by management does not accurately predict the future exercise proportions.</p> <p>Further information about share-based payments can be found in note 23, with discussion of the key sources of estimation uncertainty found in note 4.</p>
How the scope of our audit responded to the key audit matter	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewed the accounting policy for the employee option schemes, focusing on the approach adopted by management for the CSOP options and Parallel Unapproved Options; • Worked with our share based payments specialists to review the valuation and accounting treatment for the scheme; • Challenged the key inputs used by management used to determine the fair value of the CSOP options and Parallel Unapproved Options by inspecting relevant supporting information; • Challenged the reasonableness of estimates and assumptions in relation to the CSOP options and Parallel Unapproved Options by performing sensitivity analysis and benchmarking to similar entities and schemes; and • Assessed the appropriateness and completeness of the financial disclosures in relation to the employee option schemes against the requirements of IFRS 2 <i>Share Based Payments</i>.
Key observations	<p>We determined that the methodology used, and the core assumptions in determining the share-based payments reserve as at 30 September 2023 was reasonable. We therefore determined that share-based payment reserve was appropriately stated.</p>

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Independent Auditors' Report (continued)

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

Materiality	£385,300
Basis for determining materiality	The materiality that we used in the current year was £385,300 which was determined on the basis of approximately 3% of total expenses.
Rationale for the benchmark applied	We determined total expenses to be the most relevant and stable benchmark to determine materiality. Griffin is a new bank and therefore expenses is the most appropriate benchmark whilst they are in the early stages of development. Griffin made limited revenues in 2023 and therefore we concluded that the key focus of stakeholders was expense levels in the current period.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2023 audit. In determining performance materiality, we considered the following factors:

- our understanding of the entity and its environment, including the considerations that this is the first year of audit and that Griffin transitioned into a bank in the period;
- the relatively immature control environment and our decision not to rely on controls;
- an expected increase in accounting issues that require significant judgment and/or more judgment in estimation as a result of the adoption of IFRS in the period; and
- changes in the business that would affect our ability to forecast potential misstatements, including becoming a bank and transitioning to licenced banking activities.

6.3. Error reporting threshold

We agreed with the audit committee that we would report to the committee all audit differences in excess of £19,200, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Our risk assessment included considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures.

7.2. Our consideration of the control environment

We identified the key IT system relevant to the audit to be that used in financial reporting. With the involvement of IT specialists, we identified and gained an understanding of the general IT controls, including the user access and change management systems.

Independent Auditors' Report (continued)

Where deficiencies were identified in the control environment, including deficiencies in IT controls, our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan. Due to the immature nature of Griffin's internal control environment, the audit team did not plan to rely on any of the company's controls.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the impact of climate change on the company's operations and subsequent impact on its financial statements.

We held discussions with management to understand the process for identifying climate-related risks and the impact on the company's financial statements. Management concluded that there was no material impact to the financial statements, please refer to page 17.

We performed our own qualitative risk assessment of the potential impact of climate change on the company's account balances and classes of transactions. We read the climate related disclosures on page 11 to 13 in the strategic report and considered whether they were materially consistent with the financial statements and the knowledge obtained in our audit.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

9. Responsibilities of directors

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

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

Independent Auditors' Report (continued)

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

11. Extent to which the audit was considered 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Bank's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board;
- results of our enquiries of management, internal audit, the Money Laundering Reporting Officer, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments and share based payments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

Independent Auditors' Report (continued)

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the relevant provisions of the Prudential Regulation Authority (PRA) Rulebook and the Financial Conduct Authority (FCA) Handbook.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA, the PRA and HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditors' Report (continued)

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

- In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
- In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matter

As the company was exempt from audit under section 477 of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 2 February 2023 to audit the financial statements for the year ending 30 September 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the period ending 30 September 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Independent Auditors' Report (continued)

16. 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.

David Rozier

David Rozier (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cardiff, United Kingdom

14 March 2024



Statement of comprehensive income

		16 months ended 30-Sep-23	Unaudited 12 months ended 30-Jun-22
	Note	£	£
Revenue			
Net interest income	5	207,121	(133,205)
Net fees and commissions	6	84,335	-
Total revenue		<u>291,456</u>	<u>(133,205)</u>
Operating costs			
Administrative expenses	7	(12,906,136)	(5,381,272)
Other expenses	7	(104,904)	(40,782)
Total operating costs		<u>(13,011,040)</u>	<u>(5,422,054)</u>
Loss before tax		<u>(12,719,584)</u>	<u>(5,555,259)</u>
Tax	10	-	-
Loss for the period after taxation		<u>(12,719,584)</u>	<u>(5,555,259)</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Other gains and losses	9	(1,108)	(4,142)
Other comprehensive income for the period, net of income tax		<u>(1,108)</u>	<u>(4,142)</u>
Total comprehensive income for the period		<u>(12,720,692)</u>	<u>(5,559,401)</u>

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

The notes 1 to 29 form an integral part of these financial statements.



Statement of financial position

	Note	As at 30-Sep-23 £	Unaudited As at 30-Jun-22 £	Unaudited As at 01-Jul-21 £
Assets				
Cash and cash equivalents	11	270,150	11,048,648	4,618,956
Debt Securities	12	8,551,308	-	-
Trade and other receivables	15	1,085,821	748,239	32,647
Intangible assets	13	197,614	17,875	12,203
Property, plant and equipment	14	126,821	64,060	64,083
Total assets		10,231,714	11,878,822	4,727,889
Liabilities				
Trade and other payables	17	776,298	936,329	138,769
Contract liabilities	25	115,000	-	-
Borrowings	16	579,173	1,356,608	-
Total liabilities		1,470,471	2,292,937	138,769
Equity				
Share capital	18	13	10	8
Share premium account	19	30,877,722	20,122,137	9,565,973
Employee share option reserve	20	1,039,179	-	-
Warrant reserve	21	101,283	-	-
Accumulated losses	22	(23,256,954)	(10,536,262)	(4,976,861)
Total equity		8,761,243	9,585,885	4,589,120
Total liabilities and equity		10,231,714	11,878,822	4,727,889

The notes 1 to 29 form an integral part of these financial statements.

The financial statements on pages page 44 to 86 were approved and authorised for issuance by the Board on 14 March 2024 and signed on its behalf by:

David Jarvis
Director & CEO
14 March 2024

Chad Ryan
Director & CFO
14 March 2024

Statement of changes in equity

Equity attributable to equity holders						
	Share capital	Share premium account	Share based payments reserve	Warrant reserve	Accumulated losses	Total
	£	£	£	£	£	£
Balance at 1 July 2022	10	20,122,137	-	-	(10,536,262)	9,585,885
Loss for the period	-	-	-	-	(12,719,584)	(12,719,584)
Other comprehensive loss for the period	-	-	-	-	(1,108)	(1,108)
Total comprehensive loss for the period	-	-	-	-	(12,720,692)	(12,720,692)
Net issue of share capital	3	10,755,585	-	-	-	10,755,588
Issue of employee share options	-	-	1,039,179	-	-	1,039,179
Net issue/(release) of warrants	-	-	-	101,283	-	101,283
Balance at 30 September 2023	13	30,877,722	1,039,179	101,283	(23,256,954)	8,761,243

Equity attributable to equity holders						
	Share capital	Share premium account	Share based payments reserve	Warrant reserve	Accumulated losses	Total
	£	£	£	£	£	£
Balance at 1 July 2021	8	9,565,973	-	-	(4,976,861)	4,589,120
Loss for the period	-	-	-	-	(5,555,259)	(5,555,259)
Other comprehensive loss for the period	-	-	-	-	(4,142)	(4,142)
Total comprehensive loss for the period	-	-	-	-	(5,559,401)	(5,559,401)
Net issue of share capital	2	10,556,164	-	-	-	10,556,166
Issue of employee share options	-	-	-	-	-	-
Issue of warrants	-	-	-	-	-	-
Balance at 30 June 2022	10	20,122,137	-	-	(10,536,262)	9,585,885

The notes 1 to 29 form an integral part of these financial statements.



Statement of cash flows

		15 months ended 30-Sep-23 £	Unaudited 12 months ended 30-Jun-22 £
	Note		
Cash flows from operating activities:			
Loss for the period after taxation		(12,719,584)	(5,555,259)
Adjustments for:			
Finance (income)/expense	5	(207,121)	133,205
Fair value on warrants expense	21	101,283	-
Depreciation of property, plant and equipment	14	82,107	38,720
Loss on disposal of property, plant and equipment	14	-	376
Amortisation of intangible assets	13	22,797	1,686
Share-based payment expense	20/23	1,039,179	-
Operating cash flows before movements in working capital		(11,681,339)	(5,381,272)
Increase in trade and other receivables	15	(337,582)	(715,592)
Increase in trade and other payables	17	(160,031)	797,560
Increase in contract liabilities	25	115,000	-
Net cash used in operating activities		(12,063,952)	(5,299,304)
Investing activities			
Interest received	5	370,741	6,611
Purchases of debt securities	12	(14,891,308)	-
Proceeds on disposal of debt securities	12	6,340,000	-
Proceeds on disposal of property, plant and equipment	14	-	1,190
Purchases of property, plant and equipment	14	(144,868)	(40,263)
Purchases of patents and trademarks	13	(202,536)	(7,358)
Net cash used in investing activities		(8,527,971)	(39,820)
Financing activities			
Interest paid	16	(163,620)	(139,817)
Repayments of loans and borrowings	16	(777,435)	(143,392)
Proceeds from loans and borrowings	16	-	1,500,000
Transaction costs related to issuing shares	19	(411,555)	(78,501)
Proceeds on issue of shares	19	11,167,143	10,634,667
Net cash from financing activities		9,814,533	11,772,957
Net (decrease)/increase in cash and cash equivalents		(10,777,390)	6,433,834
Cash and cash equivalents at beginning of period	11	11,048,648	4,618,956
Effect of foreign exchange rate changes	9	(1,108)	(4,142)
Cash and cash equivalents at end of period	11	270,150	11,048,648

The notes 1 to 29 form an integral part of these financial statements.



Notes to the financial statements

1 General information

Griffin Bank Limited (the Company) is a private company limited by shares registered in the England and Wales and incorporated under the Companies Act 2006. The address of the Company's registered office is shown on page 2.

With effect from 12 April 2023, the name of the Company was changed from Griffin Financial Technology Limited to Griffin Bank Limited.

The principal activities of the Company are to provide Banking-as-a-Service ("BaaS"), Compliance-as-a-Service ("CaaS") and Direct Banking services. As at 30 September 2023, the Company was within the mobilisation period of obtaining a full unrestricted UK banking licence and held an approved restricted UK banking licence (also known as Authorisation with restrictions, or "AWR"). Upon receiving regulatory approval on 29 February 2024, the Company obtained a full banking licence and exited its mobilisation period.

These financial statements are presented in British pounds Sterling ("Sterling" or "£") and are rounded to the nearest £.

The Company adopted IFRS on 1 July 2022 and has provided a comparative restated and reconciled opening Statement of Financial position as at 1 July 2021.

The Company changed its financial period end to 30 September 2023. The current financial period is a 15 month period with a 12 month comparative ending at 30 June 2022.

In the opinion of the Directors, the Company does not have a single ultimate controlling party.

Going concern

Our directors are responsible for assessing Griffin's ability to continue as a going concern and to satisfy themselves that the financial statements can be adopted on this basis. This includes our ability to meet our liabilities as they fall due and whether we hold sufficient capital to maintain our balance sheet and meet regulatory requirements. The assessment has considered the period of more than 12 months from the signing of the financial statements.

In assessing the going concern position, the directors have reviewed a number of sources including the documentation submitted recently to the PRA and FCA as part of the process to exit mobilisation. This included the ICAAP, ILAAP, Recovery Plan and a Capital Raising and Contingency Plan.

These documents contain detailed five year base case financial projections, including profit and loss, balance sheet and cash flows. These financial projections were stress tested to reflect our principal and emerging risks, including both market-wide macroeconomic shocks such as unemployment, but also to reflect idiosyncratic events that may affect Griffin specifically including operational risk events and cyber attacks. Scenarios were created to show the impact of plausible but severe stress events in isolation and in combination. Stress tests from these frameworks were applied to the 12 months after the reporting date to align with the going concern assessment period.

There is a particular focus on the outcome of these shocks for our capital in the ICAAP and liquidity positions in the ILAAP. These processes also set out our plans to mitigate stress events through management actions, which is also a key focus of the Recovery Plan. The analysis also includes "reverse" stress tests, which review scenarios which might cause threats to the business viability.

As part of the process for obtaining our full banking licence, the Board was required to attest that it is ready to launch and we also needed to have in place adequate capital to meet regulatory requirements now and to cover 12 months future growth from the point of full authorisation. To meet this requirement, Griffin raised £19.1m in new investment in February 2024.

After reviewing the financial projections and the associated stress tests, the directors are satisfied that Griffin has sufficient capital, liquidity and other resources to continue for at least 12 months from the date of signing of the financial statements. Accordingly, the going concern basis of accounting has been adopted to prepare the financial statements.



Notes to the financial statements (continued)

2 First-time adoption of IFRS

These financial statements, for the 15 month period ended 30 September 2023, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 30 June 2022, the Bank prepared its financial statements in accordance with local UK generally accepted accounting principles (UK GAAP).

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 30 September 2023, together with the comparative period data for the period ended 30 June 2022, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 July 2021, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its UK GAAP financial statements, including the statement of financial position as at 1 July 2021 and the financial statements as of, and for, the year ended 30 June 2022.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Bank has not applied any exemptions in these financial statements.

Estimates

The estimates at 1 July 2021 and at 30 June 2022 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of UK GAAP did not require estimation:

- Warrants reserve
- Share-based payment transactions

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 July 2021, the date of transition to IFRS and as at 30 June 2022.

Reconciliation of equity as at 1 July 2021 (date of transition to IFRS)

	UK GAAP	Reclassifications and measurements	IFRS as at 01-Jul-21
	£	£	£
Assets			
Cash and cash equivalents	4,618,956	-	4,618,956
Debt Securities	-	-	-
Trade and other receivables	32,647	-	32,647
Intangible assets	12,203	-	12,203
Property, plant and equipment	64,083	-	64,083
Total assets	4,727,889	-	4,727,889
Liabilities			
Trade and other payables	138,769	-	138,769
Contract liabilities	-	-	-
Borrowings	-	-	-
Total liabilities	138,769	-	138,769
Equity			
Share capital	8	-	8
Share premium account	9,565,973	-	9,565,973
Employee share option reserve	-	-	-
Warrants reserve	-	-	-
Accumulated losses	(4,976,861)	-	(4,976,861)
Total equity	4,589,120	-	4,589,120
Total liabilities and equity	4,727,889	-	4,727,889

Notes to the financial statements (continued)

2 First-time adoption of IFRS (continued)

Reconciliation of equity as at 30 June 2022

	UK GAAP	Reclassifications and measurements	IFRS as at 30-Jun-22
	£	£	£
Assets			
Cash and cash equivalents	11,048,648	-	11,048,648
Debt Securities	-	-	-
Trade and other receivables	748,239	-	748,239
Intangible assets	17,875	-	17,875
Property, plant and equipment	64,060	-	64,060
Total assets	11,878,822	-	11,878,822
Liabilities			
Trade and other payables	936,329	-	936,329
Contract liabilities	-	-	-
Borrowings	1,356,608	-	1,356,608
Total liabilities	2,292,937	-	2,292,937
Equity			
Share capital	10	-	10
Share premium account	20,122,137	-	20,122,137
Employee share option reserve	-	-	-
Warrants reserve	-	-	-
Accumulated losses	(10,536,262)	-	(10,536,262)
Total equity	9,585,885	-	9,585,885
Total liabilities and equity	11,878,822	-	11,878,822

Notes to the financial statements (continued)

2 First-time adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 30 June 2022

	UK GAAP	Remeasurements	IFRS for the year ended 30-Jun-22
	£	£	£
Revenue			
Net interest income	(133,205)	-	(133,205)
Net fees and commissions	-	-	-
Total revenue	(133,205)	-	(133,205)
Operating costs			
Administrative expenses	(5,381,272)	-	(5,381,272)
Other expenses	(40,782)	-	(40,782)
Total operating costs	(5,422,054)	-	(5,422,054)
Loss before tax	(5,555,259)	-	(5,555,259)
Tax	-	-	-
Loss for the period	(5,555,259)	-	(5,555,259)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translation	(4,142)	-	(4,142)
Other comprehensive income for the period, net of income tax	(5,559,401)	-	(5,559,401)
Total comprehensive income for the period	(5,559,401)	-	(5,559,401)



Notes to the financial statements (continued)

3 Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards).

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The principal accounting policies adopted are set out below:

a) Foreign currency translation

The financial statements are presented in pounds sterling, which is the functional currency of the Company. Foreign currency transactions are translated into pounds sterling using the exchange rate prevailing on the dates of transactions.

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

Exchange differences are recognised in the Statement of Comprehensive Income in the period.

b) Revenue recognition

The Company applies IFRS 15 Revenue from Contracts with Customers. Income is recognised when the transfer of goods or services to customers has satisfied contractual performance obligations. The amount of revenue recognised reflects the consideration to which the Company expects to be entitled in exchange for goods or services. For each significant item of revenue, the Company applies the required five-step process to determine how and when revenue should be recognised.

Fees and commissions which are not an integral part of the Effective Interest Rate (EIR), see note 3 c) below, are generally recognised at a point in time as the transaction occurs and Griffin satisfies its performance obligations. For contracts that cover multiple years, fees and commissions are recognised over time as and when the performance obligations have been met.

As above, in accordance with the EIR method, fees paid or received that are considered integral to the EIR are deferred and recognised through Interest Income on an effective interest basis over the life of the underlying asset or liability.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

c) Interest income and interest Expense

Interest receivable and similar income on financial assets that are classified as cash and cash equivalents, and interest payable on financial liabilities, are recognised as revenue and classified as interest income and interest expense respectively in the Statement of Comprehensive Income, using the EIR of the financial assets or financial liabilities to which they relate. Amortisation on intangible assets is recognised in other expenses in the Statement of Comprehensive Income.

Interest Income on financial assets that are classified as debt securities is recognised in the Statement of Comprehensive Income using the effective yield to maturity method. This method provides a result that approximates to the EIR method.

The EIR is the rate that exactly 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 EIR method calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The Company estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. In accordance with the EIR method, directly attributable upfront costs incurred, and fees paid or received, that are considered integral to the EIR, are deferred and recognised through interest income or on an effective interest basis over the life of the underlying asset or liability.

At each reporting date, the Company assesses whether its financial assets are credit-impaired. For those assets that have become credit-impaired, interest revenue is subsequently calculated by applying the EIR to the amortised cost of the asset less impairment.

d) Cash and cash equivalents

Cash and cash equivalents comprise current bank and electronic money institution ("EMI") balances and unrestricted deposits held with central banks. Highly liquid financial assets with an original maturity of less than three months from the date of acquisition are classified as debt securities. A small element of debt securities may be cash held by the fund (typically less than 3%).

e) Financial assets

The Company has adopted the simplified approach to IFRS 9 as follows:

Other financial instrument assets

Other financial assets are those which are not derivatives in nature and have been classified using the amortised cost method. These assets arise principally as Solely Payments of Principal and Interest (SPPI) and are intended to be held to maturity with all cashflows collected.

Initial recognition

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

Subsequent measurement

All recognised financial assets are subsequently remeasured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Company has applied the simplified approach in IFRS 9 to measure applicable loss allowances at lifetime Expected Credit Loss ("ECL"). The Company determines the expected credit losses on these items by using a provision matrix, based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Company writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are past due, whichever occurs earlier.

Derecognition

On derecognition of financial assets measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.



Notes to the financial statements (continued)

3 Significant accounting policies (continued)

Assets classified at FVTPL

The following have been assessed by the Company to be classified as 'available for sale' which are measured at Fair Value Through Profit and Loss (FVTPL):

- Debt Securities.

f) Hedge accounting

The Company continues to apply the hedge accounting requirements as permitted by International Accounting Standard (IAS) 39, though at the date of the financial statements no hedging relationships have been initiated. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument, the prospective and retrospective testing approaches, and any sources of ineffectiveness. The effectiveness of hedging relationships is tested both at inception and throughout the life and if effectiveness falls outside the 80.0% – 125.0% threshold, hedge accounting is discontinued from this point. Hedge accounting will mostly relate to foreign currency hedging once initiated.

g) Financial liabilities

In accordance with IFRS 9, the financial liabilities of the Company are classified as liabilities measured at either amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the Statement of Comprehensive Income. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with any interest expense being recognised in the Statement of Comprehensive Income. Any gain or loss on derecognition is also recognised in the Statement of Comprehensive Income.

h) Property, plant and equipment

Fixtures, fittings and equipment are included as property, plant and equipment in the Statement of Financial Position at historical cost less accumulated depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items, major alterations and refurbishments. Depreciation on property, plant and equipment is on a straight line basis over the estimated useful life of the asset and included in Operating Expenses in the Income Statement according to the type:

- Fixtures and Fittings: 3 year expected life
- IT Equipment: 3 year expected life

Gains and losses on disposals are included in operating Expenses in the Statement of Comprehensive Income. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in Statement of Comprehensive Income.

Impairment of property, plant and equipment

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in the Statement of Comprehensive Income.



Notes to the financial statements (continued)

3 Significant accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

i) Intangible assets

The Company applies IAS 38 Intangible Assets to the categorisation of certain expenditure relating to cost of creating its website and associated domain names. All Intangible assets are externally generated and amortised through other expenses in the Statement of Comprehensive Income. Intangible assets with finite useful lives that are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 14. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. The carrying values of intangible assets are reviewed whenever there are indicators of impairment, or at least annually for intangible assets with indefinite life, and thus the carrying amount may not be recoverable. If the Company considers both are not recoverable the asset is written down immediately to the estimated recoverable amount, based on VIU calculations.

If there are no indicators of impairment, then there are no requirements to perform Value-in-Use (VIU) calculations. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount, based on VIU calculations. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Under IAS 38 – Intangible Assets, the Company is required to consider if and when these costs should be capitalised as an intangible asset. Under IAS guidance, if an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity should treat the expenditure on that project as if it were incurred in the research phase only.

Acquired software licences

All of the Company's acquired software licences relate to cloud-based arrangements where the Company does not control the asset and so the expense is not capitalised. If the implementation costs of such an arrangement are considered distinct from the service of receiving access to the software, an assessment will be made on whether the implementation costs are part of a software intangible asset and capitalised in accordance with Company policy.

Domains and website

The cost of domain names acquired for trademark protection and website development costs are capitalised and classified as intangible assets in the Statement of Financial Position. Amortisation of domains, and website development costs are included in operating expenses in the Statement of Comprehensive Income, using the straight-line method over their Useful Economic Life (UEL) of ten years. The UEL is reviewed annually.

j) Other assets

Other assets, fees receivable and prepayments are initially recognised at fair value and subsequently measured at amortised cost. In the case of deferred fee expense, the amount receivable is measured using the EIR method.

Payment scheme collateral is recognised at the fair value of the amount placed with nominated banks.

k) Leases

Lease liabilities are recognised in respect of the Company's obligations to make future lease payments and 'right of use' assets are recognised that represent the Company's right to use the underlying assets. Amounts expensed to the Statement of Comprehensive Income represent the interest costs on lease liabilities (presented within operating expenses) and the depreciation charge on right of use assets (presented within operating Expenses). Right of use assets are depreciated over the lease term on a straight line basis. Where exemptions have been taken for short-term leases (with a lease term of 12 months or less), the Company continues to expense lease rentals to the Statement of Comprehensive Income on a straight line basis over the lease term (presented within operating expenses).



Notes to the financial statements (continued)

3 Significant accounting policies (continued)

l) Taxation including deferred tax

Taxation in the Statement of Comprehensive Income comprises current tax payable and no deferred tax assets are recognised. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in equity.

Current tax

Current tax is the tax expected to be payable on the taxable profit, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

Research and Development Expenditure Credits (RDEC) are recognised as a credit to operating costs.

Corporation tax recoverable from losses accumulated in prior years is determined using the tax rate and legislation in force in the UK at the reporting date and is carried forward for future recovery when not fully utilised in the current period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax assets are recognised to the extent that there is reasonable certainty that taxable losses can be offset within the foreseeable future and to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax is determined using tax rates and legislation in force at the reporting date and those expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

m) Deposits from banks and customer deposits

Deposits from Banks and Customer Deposits are measured at amortised cost using EIR, in accordance with IFRS 9. Deposits are initially recognised at fair value and are subsequently measured at amortised cost. At the financial period end, the Company held no deposits from banks or customer deposits.

n) Other liabilities

Other liabilities include funds in the course of collection for customers' accounts, settlement balances arising from the acquisition of debt securities, unapplied customer credits under review, deferred consideration payable on loan book acquisitions, lease liabilities and accrued expenses. Accrued expenses include amounts incurred but unpaid for goods and services provided to the Company prior to the end of financial year. Deferred consideration is measured using the EIR method.

o) Contract liabilities

Contract liabilities represents fee income received from the Company's customers and is recognised in the Statement of Comprehensive Income using the EIR method over the expected life of the financial assets or contractual period to which it relates.

p) Provisions

Provisions, other than impairment provisions, are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



Notes to the financial statements (continued)

3 Significant accounting policies (continued)

q) Contingent liabilities

Contingent liabilities occur during the ordinary course of business if the Company is subject to threatened or actual legal proceedings, or if there exists a possible obligation dependant on the occurrence of an uncertain future event. All such material cases are periodically assessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of incurring a liability. The Company does not disclose amounts in relation to contingent liabilities associated with such claims or present obligations where the likelihood of any payment is remote or where such disclosure could be seriously prejudicial to the conduct of the claim(s).

r) Related party transactions

Transactions with related parties have been included in the financial statements in accordance with IAS 24. Related parties comprise persons or a person, a company or a group of companies and / or an unincorporated entity or a group of unincorporated entities who either have individual control, joint control of the Company or can exercise significant influence or is a member of the key management personnel. Key management personnel are defined as the members of the Board.

s) Employee benefits

The Company applies IAS 19 Employee benefits in its accounting for direct staff costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the entity in respect of services provided by employees up to the reporting date.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as staff costs in operating expenses in the Statement of Comprehensive Income. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Share based payments

The Company applies IFRS 2 in accounting for share based payments. The award of beneficial interests is considered as equity settled. The fair values of equity-settled share-based payments are calculated at each grant date and recognised over a vesting period that matches the most likely date of a realisation event in line with the conditions of the awards. For awards with a grading vesting feature, each instalment is recognised separately over the vesting period. The charge is recognised in staff costs in operating expenses in the Statement of Comprehensive Income and adjusted for tax, where relevant, with a corresponding entry through the share awards reserve in the Statement of Financial Position.

t) Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for accounting periods beginning on or after 1 January 2023; the Company has not yet applied those new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Disclosure Initiative - Accounting Policies (Amendments to IAS 1).



Notes to the financial statements (continued)

4 Critical accounting judgements and key sources of estimation uncertainty

In applying the Bank's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Bank's accounting policies

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

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets note 12 which provides further information on Debt securities, which hold the majority of the Company's significant assets). The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through profit and loss that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk

At 30 September 2023, the majority of the Company's financial assets are held in debt securities which are held in a highly rated Money Market Fund (see note 12). No expected credit losses have been recorded. As at the financial period end, no customers have taken lending facilities with the Company.

Deferred taxation

Management has determined not to recognise a deferred tax asset on the Balance Sheet at 30 September 2023. At each financial year end, Management will review the expected future results and evaluate when is the appropriate period to recognise such an asset. Unused tax losses of £18.7m (2022: £8.1m) are carried forward and available for offset against future trading profits (see note 10 for further information).

Key sources of estimation uncertainty

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

Employee share options

The Company has share option plans for all employees which require certain judgements and estimations when establishing a valuation. Management has used both external professional advisory support and other relevant market inputs to derive underlying assumptions and rates in its valuation model (see note 23 for further details). The significant inputs used in the models include the exercise and share price, expected volatility, expected life, the risk-free rate, attrition, number of future exercises under each scheme, and estimates of meeting certain service conditions. The share-based payment recognised can be materially affected by these assumptions. See note 23 for further information.

Notes to the financial statements (continued)

5 Net interest income

The Company derives the majority of its net interest income from debt securities, being funds held in a Money Market Fund. The calculation of interest income used the EIR method. Interest paid relates to loan interest paid on a £1.5m fixed rate (10.75%) 3 year term loan which matures in July 2024.

	15 months ended 30-Sep-23 £	Unaudited 12 months ended 30-Jun-22 £
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	64,433	6,611
Other financial assets measured at FVTPL		
Debt securities (see note 12)	306,308	-
	<u>370,741</u>	<u>6,611</u>
Interest expense		
Loan interest (see note 16)	(163,620)	(139,817)
Net interest income/(expense)	<u>207,121</u>	<u>(133,206)</u>



Notes to the financial statements (continued)

6 Net fees and commissions

The Company derives its fees and commissions revenue from contracts with customers for the transfer of services over time and at a point in time in the following major product and service lines:

Disaggregation of fees and commissions

	Unaudited	
	15 months ended	12 months ended
	30-Sep-23	30-Jun-22
	£	£
Fees and commissions by product line		
Banking-as-a-Service ("BaaS")	100,000	-
Compliance-as-a-Service ("CaaS")	16,214	10,000
Fees and commissions income	116,214	10,000
Payment systems and other related costs	(31,879)	(10,000)
Fees and commissions expense	(31,879)	(10,000)
Net fees and commissions	84,335	-

Payment systems and other related costs are direct costs in providing account and payment services to customers. No amounts were outstanding or payable at the financial period end.

Notes to the financial statements (continued)

7 Administrative expenses and other operating costs

The loss for the period has been arrived at after charging/(crediting) the following administrative expenses and other costs:

		15 months ended 30-Sep-23	Unaudited 12 months ended 30-Jun-22
	Note	£	£
Staff costs	8	10,238,452	3,738,401
Other administrative and general expenses		2,667,684	1,642,871
Total administrative expenses		12,906,136	5,381,272
Depreciation of property, plant and equipment	14	82,107	38,720
Amortisation of intangible assets	13	22,797	1,686
Gain on disposal of property, plant and equipment		-	376
Total other expenses		104,904	40,782
Total operating costs		13,011,040	5,422,054

Included with "Other administrative and general expenses" are the following costs:

Employee benefit expense (note 8)	119,879	47,233
	119,879	47,233

During the period ending 30 September 2023, the Company received amounts of £92,398, £315,994 and £348,937 for Research and Development ("R&D") claims from the year ending 30 June 2020, 30 June 2021 and 2022 respectively, and accrued the estimated claim of £651,802 for the 15 month period ending 30 September 2023.

Auditor's remuneration for the audit of the financial statements was £175,000 in the period (2022: £Nil) which is included in Other administrative and general expenses. There was no remuneration for non-audit services in the current or prior period.

Notes to the financial statements (continued)

8 Staff costs

	15 months ended 30-Sep-23 £	Unaudited 12 months ended 30-Jun-22 £
Salaries, wages and other costs	8,078,966	3,336,172
Social security costs	1,028,014	369,822
Fair value of share options issued to employees	1,039,179	-
Pension contributions	92,293	32,407
Total staff costs	10,238,452	3,738,401

Termination costs included within the staff costs above during the period were £95,202.

In line with Companies Act 2006 (s411) disclosure requirements, the average number of people employed during the period ended 30 September 2023 was 63 (year ended 30 June 2022: 34). This includes remunerated Non-Executive Directors, as well as both United Kingdom and overseas employees.

The following table presents the category of the average number of people employed:

	15 months ended 30-Sep-23	Unaudited 12 months ended 30-Jun-22
Supervisory (Non-Executive Directors)	5	4
Management (Executive Directors)	3	2
Other senior management (non-directors executive committee)	6	5
Other staff	49	23
	63	34

The following table presents the staff costs related to Directors' remuneration:

	15 months ended 30-Sep-23 £	Unaudited 12 months ended 30-Jun-22 £
Salaries, wages and other costs	784,503	400,158
Social security costs	103,323	48,682
Pension contributions	4,790	4,980
Share-based payments	59,200	-
Total Directors' remuneration	951,816	453,820

Pension contributions were made on behalf of 6 (2022: 4) directors.

The following table presents the staff costs related to the highest paid directors' remuneration:

	15 months ended 30-Sep-23 £	Unaudited 12 months ended 30-Jun-22 £
Salaries, wages and other costs	212,500	100,533
Social security costs	29,487	12,870
Pension contributions	1,651	1,321
Highest paid directors' remuneration	243,638	114,724



Notes to the financial statements (continued)

9 Other gains and losses

	Unaudited 15 months ended 30-Sep-23 £	12 months ended 30-Jun-22 £
Net foreign exchange loss	1,108	4,142
Total other gains/(losses)	1,108	4,142

The foreign exchange gains/losses arose on the unhedged monetary items denominated in foreign currencies. The amount predominantly consists of retranslation of cash balances.

Notes to the financial statements (continued)

10 Taxation

The Company was loss making and no corporation tax was due for the period (2022: nil).

The charge for the year can be reconciled to the loss before tax as follows:

	15 months ended 30-Sep-23 £	Unaudited 12 months ended 30-Jun-22 £
Tax charge/credit		
Total comprehensive loss for the period	(12,719,584)	(5,555,259)
Tax rates effective to 31 Mar	19%	19%
Tax rates effective after 1 Apr	25%	19%
Average standard rate during the period	21.4%	19%
Expected tax credit on loss at average standard rate	2,721,991	1,055,499
Effects of:		
Fixed asset differences	36,606	7,424
Expenses that are not deductible in determining taxable profit	(49,211)	(22,251)
Share based payments that are not deductible in determining taxable profit	(222,384)	-
R&D tax credits	301,822	-
Movement in deferred tax not recognised	(2,788,824)	(1,040,672)
Tax credit for the period	-	-

As no future tax profits are expected to be available in the near future against which deferred tax assets can be used and no deferred tax assets were recognised in the period (2022: Nil). Unrecognised deferred tax assets at 30 September 2023 were £4,679,629 (2022: £1,536,422).

Unused tax losses of £18,718,515 (2022: £8,086,431) are carried forward and available for offset against future trading profits.

The following table displays the movement in unrecognised deferred tax during the period:

	30-Sep-23 £	Unaudited 30-Jun-22 £
Opening balance	1,536,422	495,750
Movement in deferred tax not recognised	2,788,824	1,040,672
Effect of tax rate change	346,152	-
Closing balance	4,671,398	1,536,422



Notes to the financial statements (continued)

11 Cash and cash equivalents

	30-Sep-23	Unaudited 30-Jun-22
	£	£
Cash held at banks	206,098	10,761,215
Cash held at Electronic Money Institutions ("EMIs")	64,052	287,433
Total cash and cash equivalents	270,150	11,048,648

Cash and cash equivalents comprises deposits with bank and Electronic Money Institutions (EMIs). The carrying amount of these assets is equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown above.

Notes to the financial statements (continued)

12 Investments in financial assets

	Current		Non-current	
	Unaudited		Unaudited	
	30-Sep-23	30-Jun-22	30-Sep-23	30-Jun-22
	£	£	£	£
Investments in financial assets				
Financial assets recorded as FVTPL				
Debt securities (solely Money Market funds)	8,551,308	-	-	-
Loss allowance	-	-	-	-
Total investments	8,551,308	-	-	-

The debt securities consist of funds held in a Money Market Fund ("MMF") that invests in government bonds, notes and bills issued or guaranteed by the UK government, as well as repurchase agreements where the associated collateral comprises obligations issued by the UK government or another sovereign government. They have maturity dates ranging from overnight to 4 months from the reporting date and return a variable rate of interest based on the aggregate return from underlying fixed-rate gilts. The weighted average interest rate on these securities is 3.02% per cent per annum (2022: N/A). The counterparties have a minimum AA credit rating. See below for impairment assessment.

Impairment of financial assets

For the purposes of impairment assessment, the debt securities are considered to have low credit risk as the counterparties to these investments have a minimum AA credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the expected credit losses for these assets, the Directors of the Company have taken into account the historical default experience and the financial underwriting of these gilts by the UK Government, as well as the reviewing various economic expert reports, financial analyst reports and considering various other external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. For the year ended 30 September 2023, the directors have assessed the 12-month ECL of the debt securities to be £Nil.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Notes to the financial statements (continued)

13 Other intangible costs

	Patents and trademarks £	Total £
Cost		
At 1 July 2021	13,353	13,353
Additions	<u>7,358</u>	<u>7,358</u>
At 30 June 2022	<u>20,711</u>	<u>20,711</u>
Additions	<u>202,536</u>	<u>202,536</u>
At 30 September 2023	<u>223,247</u>	<u>223,247</u>
Amortisation		
At 1 July 2021	(1,150)	(1,150)
Charge for the year	<u>(1,686)</u>	<u>(1,686)</u>
At 30 June 2022	<u>(2,836)</u>	<u>(2,836)</u>
Charge for the year	<u>(22,797)</u>	<u>(22,797)</u>
At 30 September 2023	<u>(25,633)</u>	<u>(25,633)</u>
Carrying amount		
At 30 September 2023	197,614	197,614
At 30 June 2022	17,875	17,875
At 1 July 2021	12,203	12,203

Patents and trademarks are amortised over their estimated useful lives, which is on average 10 years.

The Company holds trademarks for the various names, web domain names, logos and slogans held in the United Kingdom, European Economic Area, Switzerland and the United States. The carrying amount of these trademarks are £197,614 (2022: £17,875) and they will be fully amortised in 10 years (2022: 10 years).

Notes to the financial statements (continued)

14 Property, plant and equipment

	Computer equipment £	Fixtures and fittings £	Total £
Cost			
At 1 July 2021	75,878	22,703	98,581
Additions	30,823	9,440	40,263
Disposals	(2,255)	-	(2,255)
At 30 June 2022	104,446	32,143	136,589
Additions	123,899	20,969	144,868
Disposals	-	-	-
At 30 September 2023	228,345	53,112	281,457
Amortisation			
At 1 July 2021	(25,003)	(9,495)	(34,498)
Charge for the year	(29,382)	(9,338)	(38,720)
Eliminated on disposal	689	-	689
At 30 June 2022	(53,696)	(18,833)	(72,529)
Charge for the year	(69,496)	(12,611)	(82,107)
At 30 September 2023	(123,192)	(31,444)	(154,636)
Carrying amount			
At 30 September 2023	105,153	21,668	126,821
At 30 June 2022	50,750	13,310	64,060
At 1 July 2021	50,875	13,208	64,083

All assets are held at amortised cost.

Notes to the financial statements (continued)

15 Trade and other receivables

	30-Sep-23	Unaudited 30-Jun-22
	£	£
Trade receivables	154,421	-
	<u>154,421</u>	<u>-</u>
Prepayments	255,763	83,815
R&D tax claim receivable	651,802	-
Other receivables	23,835	664,424
Total trade and other receivables	<u>1,085,821</u>	<u>748,239</u>

Trade receivables

As at 30 September 2023, trade receivables from contracts with customers amounted to £154,421 (2022: £Nil).

The average credit period on invoices receivable is 43 days. No interest is charged on outstanding trade receivables.

Prepayments consist of amounts paid in advance for services that will be received after the current financial period.

The Company is allowed relief in the form of cash receipt for certain research and development expenditure on its technology platform. The receivable held at the financial period end relates to the outstanding claim for the current financial period. Successful claims are usually paid within 3 months of submission.

Other receivables consists of refundable deposits for rented office premises. The prior year included receivables for issued warrants that had anticipated consideration of £649,991. During 2023, the majority of these warrants expired (£500,000) and the outstanding warrants have been fair valued and included in the Warrant reserve on the Statement of Financial Position.

All other assets have been assessed for impairment with no provision considered necessary (2022: £Nil).

Notes to the financial statements (continued)

16 Borrowings

	30-Sep-23	Unaudited 30-Jun-22
	£	£
Secured borrowing at amortised cost		
Loans from third parties	579,173	1,356,608
Total borrowings	579,173	1,356,608
Current	579,173	613,519
Non-current	-	743,089
	579,173	1,356,608

Capital repayments during the period are presented in the table below:

	30-Sep-23	Unaudited 30-Jun-22
Opening balance	1,356,608	-
Drawdown of the borrowing	-	1,500,000
Capital repaid	(777,435)	(143,392)
Closing balance	579,173	1,356,608

As at 30 September 2023, the Company had drawn a loan of £1.5 million which was taken out on 16 August 2021. Interest only repayments commenced on 16 August 2021 switching to capital and interest repayments on 1 April 2022, and will continue until 31 July 2024. The loan is secured by a floating charge over all of the Bank's assets dated 11 August 2021, whose carrying value is £10.1 million (2022: £11.2 million). The loan carried an interest rate at 10.75% (2022: 10.75%).

Interest expense relating to this loan during the period was £163,620 (2022: £139,817), as presented in the table below:

	30-Sep-23	Unaudited 30-Jun-22
Opening balance	-	-
Interest arising during the period	163,620	139,817
Interest paid	(163,620)	(139,817)
Closing balance	-	-

The weighted average interest rates paid during the period were as follows:

	30-Sep-23	Unaudited 30-Jun-22
	%	%
Loans from third parties	10.75	10.75

Notes to the financial statements (continued)

17 Trade and other payables

	30-Sep-23	Unaudited 30-Jun-22
	£	£
Trade payables	131,655	68,721
Accruals	494,956	190,708
Other taxation and social security	135,067	8,981
Other payables	14,620	667,919
Total trade and other payables	776,298	936,329

Trade payables and accruals principally comprise amounts outstanding for trade services and ongoing costs. The average credit period taken for trade purchases is 13 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest may be charged on the outstanding balances at various interest rates by some suppliers. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

Accruals principally relate to trade services that have been received but not invoiced by the supplier at the financial period end. Typically, the related invoices are received and paid within the following 14 days.

Other taxation and social security primarily comprises VAT payable to HMRC or expected VAT on certain accruals.

Other payables consists on employer pensions payable on the employee pension scheme. The prior year included payables for issued warrants at an anticipated value of £649,991. During 2023, the majority of these warrants expired (£500,000) and the outstanding warrants have been fair valued and included in the Warrant reserve on the Statement of Financial Position.

Notes to the financial statements (continued)

18 Share capital

Ordinary shares

	Number of shares	Nominal £	
Authorised:			
Ordinary shares	142,606,144	0.0000001	
Issued:			
Issued and fully paid:			
	Number of shares	Nominal £	Value £ *
As at 1 July 2021	30,200,000	0.0000001	3
Issued during the period	651,676	0.0000001	0
As at 30 June 2022	30,851,676		3
Issued during the period	1,356,815	0.0000001	0
Converted from preference shares	94,045,558	0.0000001	9
As at 30 September 2023	126,254,049		13

Preference shares

	Number of shares	Nominal £	
Authorised:			
Preference shares	94,045,558	0.0000001	
Issued:			
Issued and fully paid:			
	Number of shares	Nominal £	Value £ *
As at 1 July 2021	47,824,528	0.0000001	5
Issued during the period	22,831,069	0.0000001	2
As at 30 June 2022	70,655,597		7
Issued during the period	23,389,961	0.0000001	2
Converted from preference shares	(94,045,558)	0.0000001	(9)
As at 30 September 2023	-		-

At 30 September 2023, the Company has one class of ordinary shares which carry no right to fixed income.

In the period ended 30 June 2022, the Company issued 651,676 ordinary shares and 22,831,069 preference shares at the nominal value of £0.0000001 per share. Subsequently in the period ending 30 September 2023, the Company issued a further 1,356,815 ordinary shares and 23,389,961 preference shares at the nominal value of £0.0000001 per share. In February and March 2023, the Company converted all the fully issued and paid up preference shares to ordinary shares on a one-for-one basis.

No dividends were proposed or declared during or for the period (2022: Nil).

* rounded

Notes to the financial statements (continued)

19 Share premium

	Value £
As at 1 July 2021	9,565,973
Premium arising on issue of equity shares	10,634,665
Share issue costs	<u>(78,501)</u>
As at 30 June 2022	<u>20,122,137</u>
Premium arising on issue of equity shares	11,167,140
Share issue costs	<u>(411,555)</u>
As at 30 September 2023	<u>30,877,722</u>

In the period ended 30 June 2022, the Company issued 22,831,069 preference shares at the price of £0.4658 per share. During the same year, employees exercised 651,676 ordinary shares from the employee share options scheme at £0.0000001 per share. After deducting costs involved in the raise, this resulted in a net share premium increase of £10,556,164.

Subsequently in the period ending 30 September 2023, the Company issued a further 23,389,961 preference shares at the price of £0.4658. During the same period, employees exercised 772,564 ordinary shares from the employee share options scheme at £0.0000001 per share. The Company issued a further 584,251 ordinary shares at the price of £0.4658. After deducting costs involved in the raise, this resulted in a net share premium increase of £10,755,585.



Notes to the financial statements (continued)

20 Employee share option reserve

	30-Sep-23	Unaudited 30-Jun-22
	£	£
Balance at start of period	-	-
Credit to equity for equity-settled share-based payments	1,039,179	-
Balance at close of period	1,039,179	-

Notes to the financial statements (continued)

21 Warrant reserve

	30-Sep-23	Unaudited 30-Jun-22
	£	£
Balance at start of period	-	-
Equity warrants issued	101,283	-
Balance at close of period	101,283	-

The Company has issued three equity warrants (two in the prior year and one in the current period) with fixed values that were associated with its equity and loan fundraising as follows:

- A £150,000 equity warrant was issued on 11 August 2021 at the drawdown of the first available tranche of the third party loan (see note 16). The fair value of this warrant was calculated to be £43,818.
- A further £150,000 equity warrant was issued on 22 November 2022 at the addition of the third tranche of the third party loan. The fair value of this warrant was calculated to be £57,965.



Notes to the financial statements (continued)

22 Accumulated losses

	£
Balance at 1 July 2021 – As restated	4,976,861
Net loss for the year	5,559,401
	<hr/>
Balance at 1 July 2022	10,536,262
Net loss for the period	12,720,692
	<hr/>
Balance at 30 September 202	<u>23,256,954</u>

Notes to the financial statements (continued)

23 Share-based payments

The Company has share option plans for all employees to provide an incentive for them to remain with the Company and contribute to the long term success of the business. In accordance with the terms of the plans employees may be granted options to purchase ordinary shares. The share options issued are equity settled with no cash settlement options. All awards granted under current plans are conditional on employee service and do not contain non-market or market performance conditions.

Each employee share option converts into one ordinary share of the Bank on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Subject to the employee being in employment for one year from the date of grant, options may be exercised at any time to the date of their expiry.

Under the plans, employees can be granted shares under a HMRC approved company share option plan ("CSOP") or a non-tax advantaged and unapproved plan. Options are forfeited if the employee leaves the Bank before the options vest.

CSOP tax-advantaged plan

Options granted under the CSOP prior to the year ending 30 June 2022 are exercisable at a price equal to the latest HMRC valuation of the Bank's shares on the date of grant. The options vest over periods between three and a half and four years but are forfeited should the employee cease employment within one year of grant. Employees have 6 months to exercise their options after ceasing employment at the Bank. For the CSOP shares granted during the period ending 30 September 2023, the expiry date of the options are 10 years.

For the CSOP shares granted during the period ending 30 September 2023, there is also a parallel scheme that will come into effect if an employee leaves the CSOP scheme. The CSOP shares will be forfeited but the employee will receive non-tax advantaged shares in the parallel scheme on a one-to-one basis subject to having been in employment for one year after the original grant. These shares will have an exercise price of £0.0000001 and a 10 year expiry date. As at 30 September 2023 no parallel scheme shares have been granted.

Non-tax advantaged plan

Options under the non-tax advantaged plan are exercisable at an exercise price as set on the date of grant. The vesting periods are over three and a half to four years but options are forfeited should the employee cease employment within one year of grant. If the options remain unexercised after a period of 10 years from the date of grant the options expire.

Details of the share options outstanding and exercise prices for each plan are set out in the tables below:

CSOP

	30-Sep-23		Unaudited 30-Jun-22	
	Weighted average		Weighted average	
	Number of	exercise price	Number of	exercise price
	share options	(in £)	share options	(in £)
Outstanding at beginning of period	3,406,779	0.0000001	4,039,316	0.0000001
Granted during the period	4,554,608	0.3200000	607,927	0.0000001
Forfeited/cancelled during the period	(317,569)	0.0000001	(637,230)	0.0000001
Exercised during the period	(819,278)	0.0000001	(603,234)	0.0000001
Outstanding at the end of the period	6,824,540	0.2135638	3,406,779	0.0000001
Exercisable at the end of the period	4,179,485		2,529,276	

The weighted average share price at the date of exercise for share options exercised during the period was £0.0000001. The options outstanding at 30 September 2023 in CSOP plan had a weighted average exercise price of £0.2135638, and a weighted average remaining contractual life of 9.0 years.

Notes to the financial statements (continued)

23 Share-based payments (continued)

Non-tax advantaged plan

	30-Sep-23		Unaudited 30-Jun-22	
	Weighted average		Weighted average	
	Number of share options	exercise price (in £)	Number of share options	exercise price (in £)
Outstanding at beginning of period	553,045	0.0000001	606,076	0.0000001
Granted during the period	4,383,231	0.0000001	-	-
Forfeited/cancelled during the period	-	-	(53,031)	0.0000001
Exercised during the period	(34,743)	0.0000001	-	-
Outstanding at the end of the period	4,901,533	0.0000001	553,045	0.0000001
Exercisable at the end of the period	1,651,014		242,014	

The options outstanding at 30 September 2023 in the non-tax advantaged plan had a weighted average exercise price of £0.0000001, and a weighted average remaining contractual life of 9.7 years. In the period ended 30 September 2023, options were granted on 29 September 2023. No Directors exercised share options during the period (2022: Nil).

Recognition

The Company applies IFRS 2 in accounting for share based payments. To reflect their value an expense is recognised in staff costs, which is amortised over the vesting period based on the fair value of the options at the grant date and adjusted for the number of options likely to vest given estimated employee leaver rates. A corresponding entry is made through the Share Awards Reserve in the Statement of Financial Position.

As the Company's shares are not listed, the fair value of the options at date of grant is based on the share price in the previous equity capital funding round with appropriate adjustments for their lack of marketability and control and, historically, for the subordinated liquidation rights of the option holder relative to other share classes. A Black Scholes model is also used to take into consideration a risk free rate of return and share price volatility which have been set with reference to other similar firms.

The expense recognised in staff costs in the period to 30 September 2023 was £1,039,179 (2022: £Nil).

The main assumptions used in calculating the fair value of the granted options are shown in the table below:

	CSOP		Non-tax advantaged	
	Unaudited		Unaudited	
	30-Sep-23	30-Jun-22	30-Sep-23	30-Jun-22
Exercise price	£0.32	£0.0000001	£0.0000001	N/A
Expected volatility	50%	50%	50%	50%
Expected life	5 years	5 years	5 years	5 years
Risk-free rate	4.57%	2.05%	4.57%	2.05%
Expected dividend yields	0%	0%	0%	0%
Fair value of granted options	£0.13	£0.08	£0.28	N/A

Notes to the financial statements (continued)

24 Retirement benefit plans

Defined contribution plans

The Company operates defined contribution retirement benefit plans for all qualifying employees in the UK. The assets of the plans are held separately from those of the Company in funds under the control of the NEST pension scheme trustees. Overseas employees are registered as part of the state mandatory or statutory pension and health schemes relevant to their country of residence and the Bank contributes by the rates specified in each plan.

The total expense recognised in the Statement of Comprehensive income of £92,293 (2022: £32,407) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 30 September 2023, contributions of £14,619 (2022: £7,677) due in respect of the current reporting period had not been paid over to the plans.



Notes to the financial statements (continued)

25 Contract liabilities

	30-Sep-23	Unaudited 30-Jun-22
	£	£
Contract liabilities - BaaS fees	100,000	-
Contract liabilities - CaaS fees	15,000	-
	115,000	-
Current	115,000	-
Non-current	-	-
	115,000	-

The Company received its restricted banking license in February 2022. Since that time period, there has been a significant increase in the number of new potential customers. The contract liabilities balance represents income received in advance from potential customers for services that will occur after the date the Company had its banking licence restrictions removed and is able to trade without a limit on customer activity. This income will be recognised to the statement of comprehensive income during the next financial year in line with the performance obligations and fees per the customer contracts.

Notes to the financial statements (continued)

26 Financial instruments

(a) Classes and categories of financial instruments and their fair values

The following tables combine information relating to:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments; and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques.

30 September 2023

30 September 2020

	Financial assets and liabilities			Level			
	Fair value						
	through	Held at					Total
	Profit and	Amortised					
	Loss	cost	Total	1	2	3	Fair Value
	£	£	£	£	£	£	£
Financial assets							
Cash and cash equivalents (note 11)	-	270,150	270,150	270,150	-	-	270,150
Debt securities (note 12)	8,551,308	-	8,551,308	8,551,308	-	-	8,551,308
Trade and other receivables (note 15) *	-	178,256	178,256	-	178,256	-	178,256
Total financial assets	8,551,308	448,406	8,999,714	8,821,468	178,256	-	8,999,714
Financial liabilities							
Trade and other payables (note 17) *	-	641,231	641,231	-	641,231	-	641,231
Borrowings (note 16)	-	579,173	579,173	-	579,173	-	579,173
Total financial liabilities	-	1,220,404	1,220,404	-	1,220,404	-	1,220,404

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	Financial assets and liabilities			Level			
	Fair value						
	through	Held at					Total
	Profit and	Amortised					
	Loss	cost	Total	1	2	3	Fair Value
	£	£	£	£	£	£	£
Financial assets							
Cash and cash equivalents (note 11)	-	11,048,648	11,048,648	11,048,648	-	-	11,048,648
Debt securities (note 12)	-	-	-	-	-	-	-
Trade and other receivables (note 15) *	-	664,424	664,424	-	664,424	-	664,424
Total financial assets	-	11,713,072	11,713,072	11,048,648	664,424	-	11,713,072
Financial liabilities							
Trade and other payables (note 17) *	-	927,349	927,349	-	927,349	-	927,349
Borrowings (note 16)	-	1,356,608	1,356,608	-	1,356,608	-	1,356,608
Total financial liabilities	-	2,283,957	2,283,957	-	2,283,957	-	2,283,957

* excludes tax balances

Notes to the financial statements (continued)

(b) Valuation of financial instruments (continued)

Cash and cash equivalents

These represent amounts placed at clearing banks and other financial institutions where adjustments to fair value are not considered necessary. The fair value is considered the carrying value. These are considered level 2 assets and no impairment provision has been recognised.

Debt securities

These represent investments in a UK Sovereign Gilt Money Market Fund. They are valued based on an active quoted market price for shares in the fund and are classified as level 1. The investments are not held for trading and are classified FVTPL. The investments are considered to be highly liquid as they qualify as a High Quality Liquid Assets (HQLA) and given the high credit quality and credit rating of the fund no impairment provision has been recognised. Regular reviews are carried out during the year, and at regulatory reporting dates, to ensure that the underlying investments with the fund are consistent with the fund mandate and its risk and liquidity objectives.

Trade and other receivables

These are classified as level 2 with fair value approximating to the carrying value of these assets.

Trade and other payables and borrowings

These are classified as level 2 with fair value approximating to the carrying value of these liabilities.

Notes to the financial statements (continued)

27 Financial risk management

Overall framework

The Company has a Financial Risk Management Framework that is an integral part of the wider Enterprise Risk Management Framework discussed in the Risk Management Section on pages 15 to 22. The Board delegates responsibility for managing financial risk management to the Assets and Liability Management Committee (ALCO) which meets on a monthly basis. Its duties include monitoring financial risks against risk appetites set by the Board, mitigating risks and escalating issues as appropriate. Day to day responsibilities are delegated in turn to the CFO and the Treasurer.

The primary financial risks for the Bank are capital, liquidity, market risk and credit risk.

Capital risk

Capital risk is the risk that Griffin does not have adequate quality and/or quantity of capital to support business activities and to meet our regulatory capital requirements under normal and stressed conditions. The main mitigation we use to manage capital risk is the efficient deployment of existing capital resources and rigorous monitoring of the capital risk appetite metrics to track our capital buffers and survival period. This allows us to understand when further capital injections are required and raise capital in a timely manner. Further information is provided in the Annual Report.

Liquidity risk

Liquidity risk is the risk that the Company fails to meet its obligations as they fall due. Available liquid resources are actively managed to make sure that they meet net outflow requirements and minimum standards for asset quality. The Company also produces cash-flow forecasts and monitors actual flows on a daily basis. This allows it to understand the level of liquid resources that must be held and through the annual ILAAP these are assessed under stressed conditions to define the size of a Liquid Asset Buffer (LAB) to manage shock events. The Company currently holds the majority of its assets in a UK Sovereign Gilt Money Market Fund which qualifies as HQLA for its LAB and is the main mitigation for liquidity risk.

The contractual maturities of financial assets and liabilities at the period end are set out in the tables below and show net asset positions in all time bands:

Contractual maturities of financial assets and liabilities

30 September 2023	On demand	1 day to 3 mths	Between 3 and 6 mths	Between 6 mths and 1 yr	Over one year	No maturity	Total
	£	£	£	£	£	£	£
Financial assets							
Cash and cash equivalents (note 11)	270,150	-	-	-	-	-	270,150
Debt securities (note 12)	8,551,308	-	-	-	-	-	8,551,308
Trade and other receivables (note 15)	-	169,562	-	-	8,694	651,802	830,058
Total financial assets	8,821,458	169,562	-	-	8,694	651,802	9,651,516
Financial liabilities							
Trade and other payables (note 17)	-	641,223	40,209	5,351	-	89,515	776,298
Borrowings (note 16)	-	168,361	172,927	237,885	-	-	579,173
Total financial liabilities	-	809,584	213,136	243,236	-	89,515	1,355,471
Net financial assets	8,821,458	(640,022)	(213,136)	(243,236)	8,694	562,287	8,296,045
Cumulative net financial assets	8,821,458	8,181,436	7,968,300	7,725,064	7,733,768	8,296,045	

Notes to the financial statements (continued)

27 Financial risk management (continued)

30 June 2022	On demand	1 day to 3 mths	Between 3 and 6 mths	Between 6 mths and 1 yr	Over one year	No maturity	Total
	£	£	£	£	£	£	£
Financial assets							
Cash and cash equivalents (note 11)	11,048,648	-	-	-	-	-	11,048,648
Debt securities (note 12)	-	-	-	-	-	-	-
Trade and other receivables (note 15)	-	-	-	-	664,421	3	664,424
Total financial assets	11,048,648	-	-	-	664,421	3	11,713,072
Financial liabilities							
Trade and other payables (note 17)	-	270,539	-	-	649,991	15,799	936,329
Borrowings (note 16)	-	147,279	151,274	314,965	743,090	-	1,356,608
Total financial liabilities	-	417,818	151,274	314,965	1,393,081	15,799	2,292,937
Net financial assets	11,048,648	(417,818)	(151,274)	(314,965)	(728,660)	(15,796)	9,420,135
Cumulative net financial assets	11,048,648	10,630,830	10,479,666	10,164,691	9,436,931	9,420,135	

The main regulatory ratio used to monitor liquidity is the Liquidity Coverage Ratio (LCR). This is used to assess liquidity in respect of the Bank's own internal risk appetite and by our regulators to measure our liquidity against minimum requirements. At all times during the year and at the period end, the level of the LCR was materially in excess of internal risk appetite and regulatory requirements.

Market risk

Market risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices, exchange rates and interest rates. The Bank does not operate a trading book, trade in foreign exchange or hold material foreign currency exposures, but is exposed to interest rate risk in its banking book (IRRBB). This interest rate risk is managed by monthly monitoring of the effect of stress events on the Economic Value of Equity (EVE) and Net Interest Income (NII) against internal risk appetite and minimum regulatory requirements. For the EVE, there are six prescribed interest rate scenarios including:

- Parallel up: a uniform shift applied across the term structure, all rates are shifted upwards by the same amount.
- Parallel down: a uniform shift applied across the term structure, all rates are shifted downwards by the same amount (subject to the post-shock interest rate floor).

For net interest income (NII), a 250 basis points parallel up and down shift over a 12-month time horizon scenario is applied.

30 September 2023

	Parallel up £	Parallel down £
Impact to Net interest income (NII)	202,910	(202,910)
Impact to Economic value of equity (EVE)	(1,595)	1,579

Credit risk

Risk of loss of earnings or capital arising from 1) a borrower or counterparty failing to meet their obligations to the Bank as they fall due or otherwise perform as agreed in the terms of their contract, or 2) due to concentration in our lending book.

As the Bank has no customer lending at this stage, the main credit risk to which the Bank is exposed is counterparty risk associated with its placements at banks and its investments. This risk is mitigated through policies that set exposure limits for banks, financial institutions and investment counterparties, the balances of which are monitored at least on a daily basis. The credit ratings for counterparties are also monitored on a regular basis to assess potential for default. Counterparty credit risk is currently mitigated by the placement of the majority of assets in a low risk UK sovereign gilt backed money market fund.

Notes to the financial statements (continued)

28 Related party transactions**Trading transactions**

During the period, there are no transactions with related parties as defined in the significant accounting policies section other than as mentioned below.

Controlling influence

The Company has no parent entity and no ultimate controlling parties. Parties identified that could act in concert have a maximum aggregate voting share of 22%.

Key management personnel is defined as the Board of Directors, their close family members and anyone else whom the Board member can exert influence over. In aggregate, the maximum voting share of any one key management personnel is 11%.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Bank, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Unaudited	
	15 months	12 months
	ended	ended
	30-Sep-23	30-Jun-22
	£	£
Salaries, wages and other costs	784,503	400,158
Short-term employee benefits	103,323	48,682
Post-employment benefits	4,790	4,980
Share-based payments	59,200	-
	951,816	453,820

Notes to the financial statements (continued)

29 Events after the reporting period

Equity raise

After the financial period, the Company raised £19.1m of new capital (£18.2m of funds received at the date of signing the financial statements) which allowed us to exit mobilisation and to launch commercially as a UK bank in 2024.

Banking license

On 29 February 2024 the Company received approval from the PRA for a full unrestricted UK banking license.