

Zuto Limited

Annual Report and Financial Statements

Year Ended

30 June 2020

Company Number 05722976



Zuto Limited

Company Information

Directors	J S Wilkinson R Dignan C Slater A Robison J M Nicholson
Company secretary	D A Parsons (appointed on 5 th July 2019)
Registered number	05722976
Registered office	Winterton House Winterton Way Macclesfield Cheshire SK11 0LP
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

Zuto Limited

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Zuto Limited

Strategic Report For the Year Ended 30 June 2020

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2020.

Principal activities, review of business and future developments

The principal activity of the company is the provision of credit broking for vehicle finance.

Business review and future developments

Results: The directors are pleased that the decision made to 'be brilliant at everything that is our core', bringing simplicity and integrity to the £23bn used car finance market, has proven itself - with overall turnover of £25m up +6% year-on-year and gross margin up +2%pts year-on-year. The fact that this has been achieved despite the nationwide disruption of COVID-19 is particularly encouraging, with results prior to the onset of COVID-19 reflecting monthly records in both scale and profitability.

In the final quarter of the year, despite results being impacted by the COVID-19 lockdown, Zuto was the most active broker in the market. Throughout this period we were, and remain, focused on the safety of our Zutonites as a priority. Further, this period was used to accelerate delivery of key strategic milestones including the launch of several key partnerships and implementation of our new contact centre platform which will transform how we engage with customers.

We remain committed to our mission to transform the car finance experience with simplicity and integrity.

Zutonites: It is during times of challenge that values become most tested, and the directors are particularly proud of the rapid reaction of Zutonites across all areas to 'get it done' despite the unprecedented challenges of the COVID-19 lockdown period, safely keeping the business open to deliver the same experience to our customers, which included a notable cohort of key workers.

This has been overseen by our young and dynamic Leadership Team. With this financial year being the first full year working together as one team, the directors are excited at the positive impact the Leadership Team has already had across all areas of the business.

Our Leadership capability was further bolstered with the business welcoming Gary Higham as Chief Technology Officer in November 2019. Gary brings with him significant experience in leading modern and progressive technology functions in digital businesses of scale.

We remain passionate in recruiting the best talent as there remains a big challenge to solve for the customer in bringing trust and transparency to the industry. This is particularly reflected in the growth of our Technology and Product functions, but also across our population of Car Buying Experts. We welcome our first teams of Car Buying Experts to work from our expanded Manchester office and are excited at the opportunity this presents in maximising the opportunity of record-high customer applications.

Further, the directors welcome John Nicholson, joining the Board as Chair in February 2020 and bringing significant experience from both Executive and Non-executive Board positions across a number of digital businesses, including Skyscanner.

Customers: Our growing Technology and Product functions demonstrate Zuto's continued commitment to accelerating the optimisation of our customer journey, improving our processes and creating a seamless online and offline experience. By making car finance a simple, intuitive experience, completed at the customer's pace the business remains closely aligned with prevailing consumer preferences.

Zuto Limited

Strategic Report (continued) For the Year Ended 30 June 2020

The directors remain extremely proud of Zuto's long-standing exclusive partner relationships across both automotive and financial marketplaces. We are perfectly placed to rapidly deliver technology-driven features to our partners, improving the simplicity and transparency of the customer experience. Zuto's value proposition in this respect is not only reflected by the length of existing relationships, but the number of new partners that we have welcomed this year.

Compliance: An ongoing focus towards trust and transparency is considered as increasingly pivotal in gaining traction in a market that is increasingly transacting online, and the directors remain pleased that years of strategic investment in systems and highly experienced Zutonites continue to place Zuto in a strong position.

Further, the directors are encouraged by the changes that the FCA Review of Motor Finance will bring to the industry in January 2021, 'cutting through the noise' of difference in charge commission models. Zuto is completely aligned with the FCA's approach, with our business model geared to bring fairness and transparency to our customers.

Market: Used car and finance transactions are expected to continue to grow over the coming year, supported by an ever-increasing propensity for customers to transact across digital platforms that offer a simple, transparent and intuitive experience.

The directors are encouraged by an acceleration in demand post COVID-19 lockdown for i) used vehicles; and ii) online operating models where face-to-face interaction is limited. This is reflected by recent record customer application volumes, with Zuto's operating model ideally positioned to maximise the opportunity this presents. The directors also recognise the potential pressures of the current economic climate, and that whilst current levels of demand are extremely positive, the supply of finance and wider lending appetite represents a potential risk. This is a continued area of focus, however it is particularly encouraging that we are welcoming new technology-focused lenders onto our panel to provide greater breadth.

Outlook: Our desire to change the industry for the better, with a progressive culture, is stronger than ever. The directors are proud of not only what the business has delivered this year, but how it has been delivered, given the unprecedented set of circumstances. Zuto's values have remained at the heart of decision making, and we will continue to strive to not only grow the business financially, but also have a positive impact on the wider community, the environment and our Zutonites.

Zuto is in a strong position with clear sight of the drivers that will unlock further growth and profitability in the coming year.

Current financial performance is significantly outpacing the 2021 Plan at both a revenue growth and EBITDA / cash level, driven by our expanding partner and lender base as well as the high levels of demand for used cars as an alternative to public transport.

The directors consider KPIs to be the level of turnover, gross margin, and EBITDA.

- Turnover £24.6m (2019 - £23.3m)
- Gross margin 40.1% (2019 - 38.4%)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) £0.00m (2019: loss of £1.30m)

Principal risks and uncertainties

The directors consider the key risks to the business to be as follows. In each case, there is a defined process to identify, evaluate and manage the risks of the company.

COVID-19: Whilst monthly trading prior to the commencement of the full UK-wide lockdown reflected record levels of both scale and profitability, the business quickly reacted to the initial period of COVID-19 driven disruption through i) rapid formulation of detailed financial scenarios and execution of associated cash protection measures; and ii) an immediate switch to remote working to ensure operational continuity. The resulting impact of the lockdown period was therefore limited to a short period through which cash was

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Strategic Report (continued) For the Year Ended 30 June 2020

effectively managed and customers were effectively serviced.

Going concern: Despite the strength of current trading performance, our current cash position / projections and positive market outlook, we cannot rule out the potential for further full UK-wide lockdowns and have planned accordingly with regards to going concern. Robust sensitivity analysis has been performed on the company's financial plan to ensure that cash headroom would remain adequate under significant and sustained trading pressure. This has included reverse stress testing of cash projections and consideration of scenarios that are more severe than the historical period of COVID-19 related disruption.

In addition to sensitivity analysis we have further assessed the impacts of mitigating actions available to the company should a worst-case downside scenario materialise in order to provide assurance that the company could comfortably continue to trade and meet its liabilities as they fall due for a period of greater than 12 months from the date of signing of these financial statements. Our mitigating actions considered primarily comprise actions within control of the company such as the restructuring of our cost base and cessation of incremental spend, and largely exclude upside that is dependent on third parties – most notably the impact of further Government support such as the Job Support Scheme which could be leveraged as required for the six months commencing 1 November. The combination of i) detailed reverse stress testing; ii) the considered impact of mitigating actions; and iii) our experience through the first period of COVID-19 related disruption meaning that operational and financial response would be swift, provides the directors with confidence that the going concern assumption is appropriate.

Disaster Recovery and business continuity: The company has an understandable reliance on its place of business, systems and people. The loss of key components could cause temporary disruption to business processes whilst the company implements its established and detailed disaster recovery plan, which includes a full remote working contingency as implemented during the initial COVID-19 lockdown period.

Regulatory risk: Legislation in all markets the company serves change on a regular basis. Potential changes may impact operational processes, requiring additional financial and human resources and further capital investment. The company closely and continuously monitors the FCA's areas of focus and has in built KPI's and governance structures to ensure best practice throughout the organisations processes.

Net working capital: The company closely monitors its working capital, ensuring liabilities are met as they fall due. The directors routinely assess the company's financial position and review against its ability to make debt repayments and meet liabilities.

This report was approved by order of the board on 16/10/20 and signed on its behalf.



D A Parsons
Secretary

Zuto Limited

Directors' Report
For the Year Ended 30 June 2020

Introduction

The directors present their report together with the audited financial statements for the year ended 30 June 2020. The comparatives are for the financial period ended 30 June 2019.

Results and dividends

The loss for the year before and after taxation respectively amounted to £1,058,466 (2019 - £2,366,463) and £803,726 (2019 - £2,240,830)

No dividend was paid in either 2020 or 2019.

Matters covered in the strategic report

Details of the principal activities and future developments of the company are covered in the strategic report on pages 1 to 3 of these financial statements.

Directors

The directors who served during the year were:

J S Wilkinson
R Dignan
A Robison (appointed 1 August 2019)
C P Slater (appointed 1 August 2019)
J M Nicholson (appointed 3 February 2020)
R A Law (resigned 1 September 2019)
C M Paterson (resigned 1 August 2019)

Research and development activities

During the year, the company has incurred research and development expenditure of £279,845 (2019 - £453,359) which has been capitalised in the period (included within intangible assets, see note 12).

Disabled employees

The company always fully considers all employment applications by disabled persons, taking into account the aptitudes of the applicant concerned. In the event of an employee becoming disabled, every effort is made to ensure that their employment with us continues and that appropriate training is arranged. The company's policy is committed to ensuring training, career development and promotion of disabled persons should, as far as possible, be identical with that of fellow employees.

Zutonite involvement

Success at Zuto is to build something that we are all proud of, with a progressive culture that is inclusive, fuels creativity, and where all Zutonites share in the upside. We strongly believe successful employee engagement is underpinned by impactful and relatable company values. Our values are i) Customer > team > you; ii) There's always a better way; iii) Get it done; and iv) Enjoy the journey.

We strive to make our values pervasive across all we do, from the small day to day decisions to wider strategic considerations. The way we communicate our values reflects this – be that through regular employee communications across a variety of media, or through formalised office-wide events.

The directors continue to be proud of engagement levels across all Zutonites, which whilst demonstrated by regular employee surveys (which included regular 'check-in' surveys throughout the COVID-19 lockdown period), are best demonstrated in the examples we see of Zutonites 'living and breathing' our values on a daily basis.

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Directors' Report (continued) For the Year Ended 30 June 2020

Directors' indemnities

Directors' and officers' insurance cover has been established for all directors to provide appropriate cover for their reasonable actions on behalf of the Company. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2020 financial year and remain in force for all current and past directors of the Company.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post statement of financial position events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

16/10/20

and signed on its behalf.



D A Parsons
Secretary

Zuto Limited

Directors' Responsibilities Statement For the Year Ended 30 June 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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Independent Auditor's Report to the Members of Zuto Limited

Opinion

We have audited the financial statements of Zuto Limited ("the company") for the year ended 30 June 2020 which comprise statement of comprehensive income, statement of financial position, statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Zuto Limited

Independent Auditor's Report to the Members of Zuto Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the notes to the financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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Independent Auditor's Report to the Members of Zuto Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

16 October 2020

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

Zuto Limited

Statement of Comprehensive Income For the Year Ended 30 June 2020

	Note	2020 £	2019 <i>As restated</i> £
Turnover	4	24,629,676	23,254,689
Cost of sales		(14,744,345)	(14,323,938)
Gross profit		9,885,331	8,930,751
Administrative expenses		(11,102,630)	(10,857,598)
Exceptional administrative expenses	5	(115,027)	(304,565)
Total administrative expenses	6	(11,217,657)	(11,162,163)
Other operating income	6	639,698	-
Total operating loss	6	(692,628)	(2,231,412)
Interest payable and expenses	10	(365,838)	(135,051)
Loss before tax		(1,058,466)	(2,366,463)
Tax on loss	11	254,740	125,633
Total comprehensive loss for the financial year		<u>(803,726)</u>	<u>(2,240,830)</u>

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 13 to 29 form part of these financial statements.

Zuto Limited

Registered number: 05722976
Statement of Financial Position
As at 30 June 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	12		948,017		791,783
Tangible assets	13		681,843		1,223,827
			<u>1,629,860</u>		<u>2,015,610</u>
Current assets					
Stocks	14	22,591		90,601	
Debtors: amounts falling due within one year	15	3,143,608		3,579,534	
Cash at bank and in hand		3,698,660		5,005,371	
		<u>6,864,859</u>		<u>8,675,506</u>	
Creditors: amounts falling due within one year	16	(4,069,408)		(5,687,381)	
Net current assets			<u>2,795,451</u>		<u>2,988,125</u>
Total assets less current liabilities			<u>4,425,311</u>		<u>5,003,735</u>
Creditors: amounts falling due after more than one year	17		(2,095,560)		(2,825,595)
Provisions for liabilities					
Other provisions	19		(1,351,354)		(396,017)
Net assets			<u><u>978,397</u></u>		<u><u>1,782,123</u></u>
Capital and reserves					
Called up share capital	20		1,042		1,042
Share premium account	21		149,958		149,958
Profit and loss account	21		827,397		1,631,123
Total equity			<u><u>978,397</u></u>		<u><u>1,782,123</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


J S Wilkinson
Director

16/10/20

The notes on pages 13 to 29 form part of these financial statements.

Zuto Limited

Statement of Changes in Equity For the Year Ended 30 June 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2019	1,042	149,958	1,631,123	1,782,123
Comprehensive loss for the year				
Loss for the year	-	-	(803,726)	(803,726)
Total comprehensive loss for the year	-	-	(803,726)	(803,726)
Capital contribution	-	-	-	-
Total transactions with owners	-	-	-	-
At 30 June 2020	<u>1,042</u>	<u>149,958</u>	<u>827,397</u>	<u>978,397</u>

Statement of Changes in Equity For the Year Ended 30 June 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2018	1,042	149,958	119,216	270,216
Comprehensive loss for the year				
Loss for the year	-	-	(2,240,830)	(2,240,830)
Total comprehensive loss for the year	-	-	(2,240,830)	(2,240,830)
Contributions by and distributions to owners				
Capital contribution	-	-	3,752,737	3,752,737
At 30 June 2019	<u>1,042</u>	<u>149,958</u>	<u>1,631,123</u>	<u>1,782,123</u>

The notes on pages 13 to 29 form part of these financial statements.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

1. General information

Zuto Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The presentation currency of these financial statements is Sterling. All amounts in these financial statements have been rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3). The following principal accounting policies have been applied:

2.2 Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the company's business activities as well as the company's principal risks and uncertainties within the context of i) strength of current trading performance and cash position; ii) strength of the prevailing market outlook; and iii) the company's detailed financial plan and associated cash headroom projections. Robust sensitivity analysis has been performed on the company's financial plan to ensure that cash headroom would remain adequate under significant and sustained trading pressure. This has included reverse stress testing of cash projections and consideration of scenarios that are more severe than the historical period of COVID-19 driven disruption, alongside assessing potential mitigating actions available to the company and their impact.

The mitigating actions considered primarily comprise actions within control of the company such as the restructuring of our cost base and cessation of incremental spend, and largely exclude upside that is dependent on third parties – most notably the impact of further Government support such as the Job Support Scheme which could be leveraged as required for the six months commencing 1 November. The directors consider the work performed in this respect to be extremely thorough, but appropriate given the current circumstances, providing confidence that the company could comfortably continue to trade and meet its liabilities as they fall due for a period greater than 12 months from the date of signing of these financial statements.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Zuto Holdings Limited as at 30 June 2020 and these financial statements may be obtained from Winterton House, Winterton Way, Macclesfield, Cheshire, SK11 0LP.

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Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

2. Accounting policies (continued)

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover comprises commissions receivable from lenders.

Turnover is recognised when the relevant deal has been completed, less any provisions for commissions that may need to be refunded based on the likelihood of early settlement, default or fraud. The provision for amounts refundable is based on the amount that can be reliably estimated to become repayable to lenders at the statement of financial position date.

2.5 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.6 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

2.8 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life.

Trademarks are amortised over a useful life of 10 years and website and development costs are amortised over a useful life of 3 years.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

2. Accounting policies (continued)

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the year in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Hardware, software, fixtures and fittings	- 15%	reducing balance or over useful economic life
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

2. Accounting policies (continued)

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Financial Instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

2. Accounting policies (continued)

2.15 Functional and presentational currency

The company's functional and presentation currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.16 Operating leases: Lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

2.18 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.19 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.22 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

2. Accounting policies (continued)

2.23 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The company makes certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are continually evaluated based on historical experience and various other factors that are believed to form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

Revenue recognition

In making an assessment of the fair value of revenue to be recognised, the directors make a provision for the amount of commission that may need to be refunded based on the likelihood of early settlement, fraud or default. The provision for amounts refundable is based on historic trends of commission levels that have been repaid to individual lenders over the last 5 years. A percentage is then estimated for each of the lenders based on these historic trends and this is applied to the level of commission received from each lender to date to estimate the amount that may become repayable to lenders at the reporting date. At the reporting date, this provision was £1,351,354 (2019 - £396,017). Any change in estimates could result in an adjustment to recorded amounts.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company and arose solely within the United Kingdom.

5. Exceptional items

	2020 £	2019 £
Non-recurring costs	<u>115,027</u>	<u>304,565</u>

Exceptional costs relate to non-recurring restructuring costs.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

6. Operating loss

The operating loss is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets	169,445	800,485
Amortisation of intangible asset, including goodwill	663,194	280,671
Defined contribution pension cost	234,202	202,700
Operating lease rentals	463,298	380,281
Other income	<u>(639,698)</u>	<u>-</u>

Other income relates to CJRS grant received during the year.

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	25,800	16,750
Fees payable to the company's auditor and its associates in respect of:		
Tax compliance services	3,018	4,090
Other taxation services	<u>18,780</u>	<u>41,750</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 <i>As restated</i> £
Wages and salaries	9,785,645	9,846,144
Social security costs	935,562	983,231
Cost of defined contribution scheme	234,202	202,700
	<u>10,955,409</u>	<u>11,032,075</u>

Included within the amounts above is £279,845 (2019 - £453,359) which has been capitalised as intangible and tangible assets (see note 12).

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

8. Employees (continued)

	2020 No.	2019 No.
Sales	149	145
Administration	160	155
	<u>309</u>	<u>300</u>

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	359,238	332,000
Company contributions to defined contribution pension schemes	1,838	6,750
	<u>361,076</u>	<u>338,750</u>

During the year retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £159,556 (2019 - £165,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £825 (2019 - £3,713).

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	8,981	-
Other loan interest payable	-	90,898
Intercompany interest payable	356,857	44,153
	<u>365,838</u>	<u>135,051</u>

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	(191,983)	(115,046)
Adjustments in respect of previous periods	36,864	35,705
Total current tax	<u>(155,119)</u>	<u>(79,341)</u>
Deferred tax		
Origination and reversal of timing differences	(104,540)	(47,380)
Effect of tax rate change on opening balance	23,225	15,529
Adjustments in respect of previous periods	(18,306)	(14,441)
Total deferred tax	<u>(99,621)</u>	<u>(46,292)</u>
Taxation on loss on ordinary activities	<u><u>(254,740)</u></u>	<u><u>(125,633)</u></u>

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

11. Taxation (continued)

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(1,058,466)</u>	<u>(2,366,463)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(201,109)	(449,628)
Effects of:		
Fixed asset differences	145,439	1,330
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,628	61,300
Other permanent differences	456	1,250
Deduction for R&D expenditure	(212,558)	(85,206)
Surrender of tax losses for R&D tax credit refund	(191,983)	35,704
Adjustments to tax charge in respect of prior periods	36,854	35,705
Adjustments to tax charge in respect of previous periods - deferred tax	-	(14,441)
Adjust closing deferred tax to average rate of 19.00%	-	173,847
Deferred tax not recognised	163,533	114,506
Movement on deferred taxation	-	-
Total tax credit for the year	<u><u>(254,740)</u></u>	<u><u>(125,633)</u></u>

Factors that may affect future tax charges

The company has unutilised tax losses of £8,801,617 (2019 - £9,107,744) available to offset against future taxable profits. This gives rise to a potential deferred tax asset of £1,672,307 (2019 - £1,548,317). Of this, a deferred tax asset of £250,000 (2019 - £250,000) has been recognised in relation to these losses. A rate of 19% has been applied to calculate this amount.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

12. Intangible assets

	Trademarks £	Website and Development expenditure £	Total £
Cost			
At 1 July 2019	50,071	1,472,723	1,522,794
Additions	-	279,845	279,845
Transfer from Tangible	-	2,438,863	2,438,863
At 30 June 2020	<u>50,071</u>	<u>4,191,431</u>	<u>4,241,502</u>
Amortisation			
At 1 July 2019	20,181	710,830	731,011
Charge for the year	5,215	657,979	663,194
Transfer from Tangible	-	1,899,280	1,899,280
At 30 June 2020	<u>25,396</u>	<u>3,268,089</u>	<u>3,293,485</u>
Net book value			
At 30 June 2020	<u>24,675</u>	<u>923,342</u>	<u>948,017</u>
At 30 June 2019	<u>29,890</u>	<u>761,893</u>	<u>791,783</u>

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

13. Tangible fixed assets

	Hardware, software, fixtures and fittings £	Website costs £	Total £
Cost or valuation			
At 1 July 2019	1,966,607	2,438,863	4,405,470
Additions	197,193	-	197,193
Disposal	(58,787)	-	(58,787)
Transfer to Intangible	-	(2,438,863)	(2,438,863)
At 30 June 2020	<u>2,105,013</u>	<u>-</u>	<u>2,105,013</u>
Depreciation			
At 1 July 2019	1,282,363	1,899,280	3,181,643
Charge for the year	169,445	-	169,445
Disposals	(28,638)	-	(28,638)
Transfer to Intangible		(1,899,280)	(1,899,280)
At 30 June 2020	<u>1,423,170</u>	<u>-</u>	<u>1,423,170</u>
Net book value			
At 30 June 2020	<u><u>681,843</u></u>	<u><u>-</u></u>	<u><u>681,843</u></u>
At 30 June 2019	<u><u>684,244</u></u>	<u><u>539,583</u></u>	<u><u>1,223,827</u></u>

14. Stocks

	2020 £	2019 £
Finished goods and goods for resale	<u><u>22,591</u></u>	<u><u>90,601</u></u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

15. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	2,180,446	2,483,839
Amounts owed by group undertakings	-	73,245
Other debtors	269,629	344,937
Prepayments and accrued income	414,532	498,133
Deferred taxation	279,001	179,380
	<u>3,143,608</u>	<u>3,579,534</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £134,194 (2019 - £279,400). Trade debtors are stated net of provision for bad debts of £134,194 (2019: £279,400).

16. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,064,710	2,070,510
Amounts owed to group undertakings	918,673	1,015,275
Other taxation and social security	330,187	503,273
Other creditors	245,423	449,807
Accruals and deferred income	1,510,415	1,648,516
	<u>4,069,408</u>	<u>5,687,381</u>

17. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Amounts owed to group undertakings	<u>2,095,560</u>	<u>2,825,595</u>

Amounts due to group undertakings are not secured and are repayable by 31 October 2022, the loan is provided interest free.

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

18. Deferred taxation

	2020 £
At beginning of year	179,380
Charged to profit or loss	99,621
At end of year	<u>279,001</u>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	-	(76,227)
Short term timing differences	29,001	5,607
Losses and other deductions	250,000	250,000
	<u>279,001</u>	<u>179,380</u>

19. Provisions

	Provisions £
At 1 July 2019	396,017
Charged to profit or loss	1,934,961
Utilised	(979,624)
At 30 June 2020	<u>1,351,354</u>

The entire provision relates to commission that may need to be refunded based on the likelihood of early settlement, fraud or default. The provision for amounts refundable is based on historic trends of commission levels that have been repaid to individual lenders over the last 5 years.

20. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1,042 ordinary shares of £1 each	<u>1,042</u>	<u>1,042</u>

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

21. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

22. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £234,202 (2019 - £202,700). Contributions amounting to £18,442 (2019 - £32,986) were payable to the fund at period end and are included in creditors.

23. Commitments under operating leases

At 30 June 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	181,678	96,228
Later than 1 year and not later than 5 years	434,583	408,797
	<u>616,261</u>	<u>505,025</u>

Zuto Limited

Notes to the Financial Statements For the Year Ended 30 June 2020 (Continued)

24. Related party transactions

The company is a wholly owned subsidiary of Zuto Holdings Limited and has taken advantage of the exemption conferred by Section 33.1A of FRS 102 not to disclose transactions with Zuto Holdings Limited or other wholly owned subsidiaries within the company.

	2020 £ Purchases	2020 £ Creditor	2019 £ Purchases	2019 £ Creditor
Gudtouch Limited	5,141	-	47,745	5,328
TotallyMoney Limited	45,180	2,160	20,154	12,292
	<u>50,321</u>	<u>2,160</u>	<u>67,899</u>	<u>17,620</u>

The nature of the relationship that the company enjoys with Gudtouch Limited is in relation to consultancy by virtue of common directors and shareholding.

The nature of the relationship that the company enjoys with TotallyMoney Limited is in relation to marketing activity by virtue of common directors and shareholding.

25. Prior year adjustments

There is a reclassification of £421,766 in 2019, increasing turnover and increasing cost of sales by this equal and opposite amount to reflect items of income classified as turnover in 2020 and previously netted off in the 2019 financial statements. Further there is an adjustment of £780,531 in 2019, increasing social security costs and reducing cost of defined contribution scheme by this equal and opposite amount as these were mis-classified in 2019. Neither item is profit affecting.

26. Controlling party

The company is a wholly owned subsidiary of Zuto Holdings Limited, incorporated in the United Kingdom. The results of the company are consolidated into this group. The consolidated accounts are available from the company secretary, Winterton House, Winterton Way, Macclesfield, Cheshire, SK11 0LP.