

Registration number: 08673493

TRADEBYTE SOFTWARE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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Tradebyte Software Limited
REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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Tradebyte Software Limited
REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY INFORMATION

Directors	J Dodds M Schulte D Eugenio K Hoesl
Registered office	Studio 8 Montpellier Street Cheltenham GL50 1SS
Auditors	Ernst & Young LLP No. 1 Colmore Square Birmingham B4 6HQ

STRATEGIC REPORT

Introduction

The directors present their strategic report in respect of Tradebyte Software Limited ("the company") for the year ended 31 December 2021.

Principal activity

The principal activity of the company is the integration of branded products onto the website of online retailers.

Business Review

Strategy

The company aims to revolutionise the way online retailers work with brands. Current merchandising methods are prone to error, relying on historic information, mixed with forward planning. When coupled with the constraints of the buy size and warehouse capacity, this can result in online retailers carrying a sub-optimal stock mix with a small percentage of a brand's top selling products represented.

The company's technology enables the retailer to supplement the wholesale model by selecting an increased offering of a brands best-selling products, thereby empowering buyers and merchandisers to supplement ranges in a live environment using up to the minute sales data regarding brand best sellers. This facilitates the creation of an optimal stock mix that can be instantly launched and edited on to the retailers' website.

As part of the Zalando group, the company works in cooperation with another Zalando subsidiary, TradeByte Software GmbH (Tradebyte DE), to enable the offer of an extended European retailer network to both new and existing brands.

Financial Performance

The results for the year, which are set out in the profit and loss account, show turnover for the year of £8,150,495 (2020: £8,524,997) and a pre-tax profit of £978,269 (2020: £760,633).

The company performance has remained strong, with increased profitability following the positive impact of Covid-19 restrictions that have been in place over the year, strengthening the E-commerce sector.

Growth has been restricted following the decision to redirect the intercompany arrangement with Inditex in the year; the arrangement has moved to Zalando who have directly integrated Inditex into their platform.

In the prior year, the Company stopped the development of its UK platform and started the migration of customers over to the platform of Tradebyte DE. As a result, a one-off impairment charge and accelerated amortisation charge was recognised in the prior year on the existing Tradebyte projects that no longer provided an economic benefit to the company.

Going forward, all new customer contracts are expected to be entered into by Tradebyte DE with the company's activities focusing on delivery with UK based counterparties and allocation of resulting profits between the two parties governed by an internal arrangement currently being finalised.

STRATEGIC REPORT (continued)

Balance Sheet

At 31 December 2021, the company's balance sheet total net liabilities decreased to £11,661,882 (2020: £12,640,161) and net current assets were £5,492,706 (2020: £4,163,671).

Key performance indicators

Due to the relatively straightforward nature of the business, the Company's directors are of the opinion that an analysis of further KPI's in addition to those presented in the income statement is not necessary for an understanding of the development, performance and position of the business.

Principal risks and uncertainties

The management of the company and the execution of the company's strategy are subject to a number of risks. The key business risk and uncertainties affecting the company is considered to relate to:

- the general economic climate, specifically in retail which is a tough environment with narrow margins;
- the impact of Brexit on trading activities with other EU countries;
- the impact of currency exchange rate movements;
- the increased number of competitors offering similar services;
- the ability of the company to secure sufficient brands and retailers to generate an appropriate return on the ongoing investment in the platform.
- the ongoing impact of Covid-19 on the economy and on the activities of the brands and retailers the company transacts with.

The company seeks to mitigate the above risks, where possible, by seeking to ensure that sufficient resource is directed towards the continued development of the company's technology.

In addition to the above, the group has IT risk management processes which apply to the company, covering security, back up and effective insurance coverage.

Environmental Sustainability

The 2018 Regulations amend the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, in particular adding a Part 7A to Schedule 7 and bringing in additional requirements for Companies to disclose their annual use, greenhouse gas emissions, and related information. An option is available to take an exemption against such disclosures when an entity does not meet the required energy usage levels of 40mWh per annum. The Company do not meet this threshold and therefore have not made any disclosures in respect of environmental sustainability.

Section 172 Statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. Amongst other things, the Regulations require the Company to report how the directors of the Company have considered their duties under section 172 (of the Companies Act 2006 (the "Act")) ("Section 172"), to promote the success of the Company, during the reporting period.

The Directors have ensured compliance with their duties under s.172 in relation to the Company and its various stakeholders, including its investors, customers and employees. Engagement with the Company's stakeholders has informed the way in which the Directors have discharged their duties as detailed below.

STRATEGIC REPORT (continued)

Where individual Directors are not directly involved in the processes described below, regular feedback and discussions are held with the relevant management teams, including Board meetings and operational review meetings. The Directors have oversight of the running of the Company, including through regular reviews of the contract performance and consideration of potential risks and opportunities.

The board of directors of Tradebyte Software Limited consider, both individually and together, that they have acted in what they consider in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021.

Culture

As part of the 2018 Board evaluation we identified the need to have UK based directors and these are now in place. While we have also refreshed our Tradebyte Software Values by the creation of a values team made up by employees to further define what it means to work for Tradebyte Software.

Shareholder

The board are committed to openly engaging with our shareholders and we recognise the importance of continuing our open and effective dialogue. It is important to us that our shareholders understand our vision, strategy and objectives so these are clearly explained, and feedback given with any issues or questions raised and discussed at the regular advisory meetings.

Customers

Our plan around the Tradebyte Limited – Tradebyte GmbH initiative with our sister company is designed to provide a long-term beneficial impact on the company and to contribute to its success in delivering a better quality and wider reaching service to our customers. While with our plan is designed to create a more sustainable and ultimately profitable business as we continue to operate within tight budgetary controls but expand our customer reach.

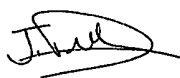
Employees

Being a relatively small company of under 100 employees our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay & benefits that our employees receive and the health, safety & wellbeing of our employees is of course one of primary considerations. Our people are at the heart of the specialist service that we provide and therefore for us to succeed we need to manage our people's performance and develop & bring through talent while operating as efficiently as possible. We also run regular company 'health check' surveys to identify any employee issues.

Board of directors

As the Board of Directors, it is our intention to behave responsibly and ensure that management operate the business in a responsible manner operating with high standard of business conduct.

Approved by the Board on 28/09/2022 and signed on its behalf by:



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J. Dodds
Director

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Tradebyte Software Limited "the company" for the year ended 31 December 2021.

As a subsidiary of Zalando SE, the company is able to avail itself of exemptions in respect of the preparation of consolidated financial statements such that these financial statements are prepared on a company only basis.

Directors

The directors who served during the year and up to the current date are:

- Jamie Dodds
- Matthias Schulte
- Kathrin Hoesl (appointed 21 September 2021)
- Doreen Eugenio (appointed 21 September 2021)

Dewi Thomas served as a director up until his resignation on 30 June 2021.

Research and development

The company invests heavily in the continued development of its products in order to maintain its current income streams and establish new ones.

Going concern

The Directors have confirmed that the ultimate parent company, Zalando SE, intends to make funds available to the Company, if required, to enable it to meet its liabilities as they fall due for a period to 31 December 2023 from the date of approval of these financial statements.

Given the strength of the Zalando Group balance sheet, which at 30 June 2022 indicated €1,631.1m of cash and cash equivalents, the Directors are confident in the Group's ability to provide the level of support as outlined above. As a result of which the Directors consider it appropriate to adopt the going concern basis of preparation for these financial statements.

Future developments

In the current year, as noted above the Company has revised its business model and is operating alongside its sister company Tradebyte DE. As a result of this, all new revenue contracts will be entered into with Tradebyte GmbH. The Company's operating model continues to be reviewed alongside that of Tradebyte DE and may be subject to further revision in coming years.

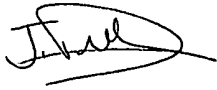
Disclosure of information to the auditor

Each director, who is a director at the time of the approval of the financial statements, has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Tradebyte Software Limited
REPORT FOR THE YEAR ENDED 31 DECEMBER 2021-

DIRECTORS' REPORT (continued)

Approved by the Board on 28/09/2022 and signed on its behalf by:



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J Dodds
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in FRS101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRADEBYTE SOFTWARE LIMITED

Opinion

We have audited the financial statements of Tradebyte Software Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 20, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit 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

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.

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 to 31 December 2023 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRADEBYTE SOFTWARE LIMITED
(continued)**

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 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 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 or 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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 AUDITOR'S REPORT TO THE MEMBERS OF TRADEBYTE SOFTWARE LIMITED
(continued)

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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are frameworks which are directly relevant to the financial statements, including the reporting framework (FRS 101 and Companies Act 2006) and direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR.
- We understood how Tradebyte Software Limited is complying with those frameworks by making enquiries of management and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the procedures and controls that the entity has established to address identified risks, or that otherwise prevent or detect fraud; and how those procedures and controls are implemented and monitored. We determined there to be a risk of management override in relation to the posting of non-standard manual journals in respect of revenue. To address the risk of management override, we utilised data analytic procedures to correlate the revenue journals to cash, debtors, VAT and other relevant accounts. This gives a high level of assurance that revenue is supported by cash transactions. For any unusual manual journals to revenue, we corroborated the entries to source documentation.

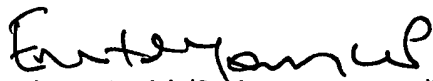
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRADEBYTE SOFTWARE LIMITED
(continued)**

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved understanding management's controls over compliance laws and regulations; enquiries of management and agreement of samples of transactions throughout the audit to supporting source documentation.

A further description of our responsibilities for the audit of the financial statements is located on 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.



Andrew Merrick (Senior statutory auditor)
for and on behalf of

Ernst & Young LLP, Statutory Auditor
Birmingham

Date: 28 September 2022

Tradebyte Software Limited
REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	31 st December 2021 £	31 st December 2020 £
Turnover	3	8,150,495	8,524,997
Cost of Sales		(1,353,194)	(1,601,672)
Gross Profit		6,797,301	6,923,325
Administrative expenses		(5,534,707)	(5,766,383)
Operating Profit		1,262,594	1,156,942
Finance Cost	6	(284,315)	(396,309)
Profit before tax		978,279	760,633
Taxation	9	-	-
Profit for the Financial period		978,279	760,633

Statement of Comprehensive Income

The company has no other comprehensive income for the current or previous year, such that the total comprehensive income equals the profit for the financial period.

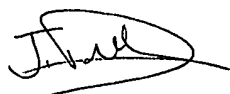
The notes on pages 17 to 31 form part of these financial statements.

Tradebyte Software Limited
REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

BALANCE SHEET AS AT 31 DECEMBER 2021

	Note	31 st December 2021 £	31 st December 2020 £
Fixed Assets			
Intangible assets	10	217,230	762,825
Tangible assets	11	148,451	154,684
Right of use assets	12	<u>502,444</u>	<u>698,626</u>
		868,125	1,616,135
Current Assets			
Debtors	13	2,070,410	1,707,857
Cash at Bank		<u>5,026,782</u>	<u>3,976,618</u>
		7,097,192	5,684,475
Creditors: Amounts falling due within one year	14	<u>(1,604,486)</u>	<u>(1,520,804)</u>
Net Current Assets		<u>5,492,706</u>	<u>4,163,671</u>
Total Assets less Current Liabilities		6,360,831	5,779,806
Creditors: Amounts falling due after more than one year	14	<u>(18,022,713)</u>	<u>(18,419,967)</u>
Net Liabilities		<u>(11,661,882)</u>	<u>(12,640,161)</u>
Capital and Reserves			
Called up Share Capital	17	1,477	1,477
Share Premium Reserve		31,867,545	31,867,545
Retained Earnings		<u>(43,530,904)</u>	<u>(44,509,183)</u>
		<u>(11,661,882)</u>	<u>(12,640,161)</u>

Approved and authorised by the Board on 28/09/2022 and signed on its behalf by:



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J Dodds
Director

Tradebyte Software Limited
REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital £	Share Premium £	Retained Earnings £	Total £
At 1 st January 2020	1,477	31,867,545	(45,269,816)	(13,400,794)
Profit for the year	-	-	760,633	760,633
At 31st December 2020	1,477	31,867,545	(44,509,183)	(12,640,161)
	Share Capital £	Share Premium £	Retained Earnings £	Total £
At 1 st January 2021	1,477	31,867,545	(44,509,183)	(12,640,161)
Profit for the year	-	-	978,279	978,279
At 31st December 2021	1,477	31,867,545	(43,530,904)	(11,661,882)

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales under the companies act.

The address of its registered office is:

Studio 8
Montpellier Street
Cheltenham
GL50 1SS

Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared on the historical cost basis.

These accounts are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. All values within the financial statements are rounded to the nearest pound except where otherwise indicated.

Summary of disclosure exemptions

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements under s400 of the Companies Act, because it is included in the group financial statements of Zalando SE as set out in note 18. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard including:

- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirements of paragraph 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1 and (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and (iii) paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of paragraph 10(d), 10(f), 39(c) and 134-136 of IAS Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows.
- the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Going concern

The Directors have confirmed that the ultimate parent company, Zalando SE, intends to make funds available to the Company, if required, to enable it to meet its liabilities as they fall due for a period to 31 December 2023 from the date of approval of these financial statements.

Given the strength of the Zalando Group balance sheet, which at 30 June 2022 indicated €1,631.1m of cash and cash equivalents, the Directors are confident in the Group's ability to provide the level of support as outlined above. As a result of which the Directors consider it appropriate to adopt the going concern basis of preparation for these financial statements.

2. Significant Accounting policies

Summary

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Judgements and estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts.

Turnover is recognised as follows:

1. Commission revenue is recognised when the corresponding performance obligation is satisfied, and this is when a good or service has been transferred to the end customer (i.e. when the customer obtains control of that service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an appropriate measure of progress is used to determine how much revenue should be recognised as the performance obligation is satisfied.
2. Up-Front fees paid by the customer are contractually non-refundable but are deferred until the customer is live on the network. Set up revenue is recognised over the term of the contract in accordance with IFRS 15 revenue recognition.
3. Periodic fees received are recognised as the period to which they relate elapses.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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 group operates and generates taxable income.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Computer equipment	33% straight line
Fixtures, fittings and equipment	25% straight line
Leasehold improvements	Straight line to first break point in the lease

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Intangible assets

Intangible fixed assets are stated in the balance sheet at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses. The cost of intangible fixed assets includes directly attributable incremental costs incurred in their acquisition. The company capitalises salaries and directly attributable costs of developers who have worked on projects that improve the platform and associated connections required to deploy customers.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Development costs	3 years straight line basis or to the expected end of use if earlier

Development costs are reviewed for impairment annually, where a capitalised application is no longer expected to generate future income it is impaired.

Leases

The Company enters into leases relating to property.

A contract contains a lease if it is enforceable and conveys the right to control the use of a specified asset for a period of time in exchange for consideration, which is assessed at inception. A right-of-use asset and lease liability are recognised at the commencement date for contracts containing a lease, with the exception of leases with a term of 12 months or less which do not contain a purchase option, leases where the underlying asset is of low value and leases with associated payments that vary directly in line with usage or sales. The commencement date is the date at which the asset is made available for use by the Company.

The lease liability is initially measured at the present value of the future minimum lease payments, discounted using the incremental borrowing rate or the interest rate implicit in the lease, if this is readily determinable, over the remaining lease term. Lease payments include fixed payments less any lease incentives receivable, variable payments that are dependent on a rate or index known at the commencement date, amounts expected to be paid under residual value guarantees and any payments for an optional renewal period and purchase and termination option payments, if the Company is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate and rentals relating to low value or short-term leases are recognised as an expense in the period in which they are incurred. Management applies judgement in determining whether it is reasonably certain that a renewal, termination or purchase option will be exercised.

Incremental borrowing rates are calculated using a blended approach, based on the risk profile of the group borrowing rate, the entity holding the lease and the term of the lease.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Leases (continued)

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future minimum lease payments or when the Company changes its assessment of whether it is reasonably certain to exercise an option within the contract. A corresponding adjustment is made to the carrying amount of the right-of-use asset.

The right-of-use asset is initially measured at cost, which comprises the lease liability adjusted for any payments made at or before the commencement date, initial direct costs incurred, lease incentives received and an estimate of the cost to dismantle or restore the underlying asset or the site on which it is located at the end of the lease term. The right-of-use asset is depreciated over the lease term or, where a purchase option is reasonably certain to be exercised, over the useful economic life of the asset in line with depreciation rates for owned property, plant and equipment. The right-of-use asset is tested for impairment if an impairment indicator is considered to exist.

Non-lease components in a contract such as maintenance and other service charges are separated from minimum lease payments and are expensed as incurred.

Regarding the comparatives, leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the Profit and Loss Account on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers in the form of commissions for merchandise sold through the platform or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. Whilst some of our contracts do stipulate minimum payments (they do not give rise to specified dates in relation to cashflows that are solely payments of principal and interest over the life of the contract) these contracts are not held on the Balance Sheet.

A provision for the impairment of trade debtors is established based on an expected credit loss assessment performed by the Company which has resulted in no material impact in the year.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the initial fair value, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Financial instruments

Classification

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet, the corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3. Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	31 st December 2021 £	31 st December 2020 £
Commissions and Other Fees	<u>8,150,495</u>	<u>8,524,997</u>

4. Operating Profit/(Loss)

Arrived at after charging/(crediting):

	31 st December 2021 £	31 st December 2020 £
Depreciation – owned assets	38,205	38,867
Depreciation – right of use assets	196,182	196,183
Amortisation expense	750,388	705,612
Impairment charge on Intangible assets	-	385,487
Loss on disposal of tangible assets	-	1,771
Short term lease expense – property	46,750	26,400
RDEC Grant	(42,596)	(186,037)

5. Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	31 st December 2021 £	31 st December 2020 £
Wages and salaries	4,037,662	3,787,238
Pension costs	152,438	111,790
Social security costs	<u>428,335</u>	<u>450,531</u>
Total	<u>4,618,435</u>	<u>4,349,559</u>

The comparative figures in the table above exclude bonus and overtime costs totalling £399k. The current year equivalent charge for bonus and overtime costs is £303k.

Tradebyte Software Limited
REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Staff costs (continued)

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	31 st December 2021 No.	31 st December 2020 No.
Administration and Support	49	48
Research and Development	21	22
	<u>70</u>	<u>70</u>

6. Finance cost

The finance cost for the year was as follows:

	31 st December 2021 £	31 st December 2020 £
Interest on Intercompany loans	231,446	324,130
Interest on Lease Liability	9,004	11,898
Foreign Exchange Losses/Gains	43,865	60,281
Total Finance cost	<u>284,315</u>	<u>396,309</u>

7. Directors' remuneration

The director's remuneration for the year was as follows:

	31 st December 2021 £	31 st December 2020 £
Remuneration	<u>158,175</u>	<u>-</u>

This relates to one of the directors as all others are remunerated by another group company, however no allocation has been made since their services to this entity are not sufficient in comparison to his other roles within the group.

8. Auditors' remuneration

	31 st December 2021 £	31 st December 2020 £
Audit of these financial statements	<u>31,500</u>	<u>35,000</u>

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

9. Income tax

(a) Tax on loss on ordinary activities

	31 st December 2021 £	31 st December 2020 £
Current taxation		
UK Corporation tax	-	-
Deferred taxation		
Total deferred taxation	-	-
Tax expense in the income statement	-	-

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19%.

(b) Factors effecting total tax charge for the year

	31 st December 2021 £	31 st December 2020 £
Profit/(Loss) on ordinary activities before tax	978,269	643,920
Profit/(Loss) on ordinary activities multiplied by the standard rate of UK tax of 19% (2020: 19%)	185,871	122,345
Non-taxable income	(24,254)	(35,347)
Non-deductible expenses	173,749	228,382
Movement in unrecognised deferred tax	335,368	315,380
Total tax charge	-	-

The Company has gross tax losses arising and carried forward in the UK of £42.2m (2020: £43.3m) which are available indefinitely for offset against future taxable profits of the business in which the losses originally arose. A deferred tax asset has not been recognised in respect of the above noted capital losses due to uncertainty of future profitability.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

9. Income Tax (continued)

The Finance Act 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. The Act has been substantively enacted prior to the balance sheet date and therefore deferred tax assets and liabilities should be assessed using enacted rates.

10. Intangible fixed assets

	Software development costs £
Cost	
At 1 st January 2021	7,160,086
Additions	204,782
Disposals	(391,444)
At 31 st December 2021	<u>6,973,424</u>
Amortisation	
At 1 st January 2021	6,397,261
Charge for the year	750,388
Disposals	(391,444)
At 31 st December 2021	<u>6,756,194</u>
Carrying Amount	
At 31 st December 2020	<u>762,825</u>
At 31 st December 2021	<u>217,230</u>

Research & Development costs of £436,613 were expensed during the year (2020: £412,889). The impairment charge followed a review of capitalised development costs and the derecognition of costs and accumulated amortisation related to specific development activity for which future revenue is no longer anticipated and the asset is assessed as having no recoverable value. There has also been accelerated amortisation charged during the year as due to the change in business strategy certain assets have had their useful life reduced.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

11. Tangible fixed assets

	Leasehold land & buildings £	Office Equipment £	Computer Equipment £	Total £
Cost				
At 1 st January 2021	105,066	9,991	109,822	224,879
Additions		(0)	31,972	31,972
Disposals		(4,022)	(40,055)	(44,076)
At 31 st December 2021	105,066	5,969	101,740	212,775
Depreciation				
At 1 st January 2021	5,837	5,953	58,405	70,195
Charge for the year	7,004	1,136	30,065	38,205
Disposals		(4,022)	(40,055)	(44,076)
At 31 st December 2021	12,841	3,067	48,416	64,324
Carrying Amount				
As at 31 st December 2020	99,229	4,038	51,417	154,684
At 31 st December 2021	92,225	2,901	53,324	148,451

12. Right of use assets

	Property £
Cost	
At 1 st January 2021	980,911
Additions	-
Disposals	-
At 31 st December 2021	980,911
Depreciation	
At 1 st January 2021	282,285
Charge for the year	196,182
Disposals	-
At 31 st December 2021	478,467
Carrying Amount	
As at 31 st December 2020	698,626
At 31 st December 2021	502,444

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13. Debtors

	31 st December 2021 £	31 st December 2020 £
Trade Debtors	1,285,108	844,610
Amounts due from group companies	421,452	449,611
Other Debtors	112,750	107,250
Prepayments	123,447	120,349
RDEC grant	127,653	186,037
	<u>2,070,410</u>	<u>1,707,857</u>

14. Creditors

	31 st December 2021 £	31 st December 2020 £
Due within one year		
Trade Creditors	4,722	50,815
Amounts due to group companies	68,080	36,353
Social security and other taxes	140,443	142,998
Other creditors	76,234	28,850
Current portion of lease liabilities (note 16)	197,433	194,495
Accruals and deferred income	1,117,574	1,067,293
	<u>1,604,486</u>	<u>1,520,804</u>
Due after one year		
Loans due to group companies (note 15)	17,708,521	17,908,342
Long term lease liabilities (note 16)	314,192	511,625
	<u>18,022,713</u>	<u>18,419,967</u>

15. Loans and borrowings

Loans to group companies comprise a Revolving Credit Facility for the value of £21.5m which initially bears interest at 2%. Interest is paid along with the loan principal on the redemption date of 15th December 2023. Total interest accrued at the period end amounts to £231,446 (2020 £324,130).

	31 st December 2021 £	31 st December 2020 £
Non-current loan and borrowings		
Loans and borrowings	17,708,521	17,908,342
Total	<u>17,708,521</u>	<u>17,908,342</u>

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

15. Income Tax (continued)

The loans are accounted for on an effective interest basis whereby over the life of the loan the carrying value is increased such that the amount recognised at the redemption date equates to the principal and interest due on that date.

16. Leases

Leases included in creditors

	31st December 2021 £	31st December 2020 £
Current portion of long-term lease liabilities	197,434	194,495
Long term lease liabilities	314,192	511,625
Total lease liabilities	<u>511,626</u>	<u>706,120</u>

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31st December 2021 £
Less than one year	203,500
1 - 2 years	203,500
2 - 3 years	114,713
3 - 4 years	-
Total lease liabilities (undiscounted)	<u><u>521,713</u></u>

Lease costs charged to the Profit and Loss Account

The Company avails itself of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. In 2021 there was a short term lease expense of £46,750 (2020: £26,400) relating to London office space.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

16. Leases (continued)

Total movements in lease liability

Total movements related to lease liabilities are presented in the table below:

	31st December 2021 £	31st December 2020 £
Lease liabilities		
At 1 January 2020	706,122	897,724
Addition of right of use assets	-	-
Payments	(203,500)	(203,500)
Discount unwinding	9,004	11,898
At 31 December 2020	<u>511,626</u>	<u>706,122</u>

17. Share capital

Allotted, called up and fully paid share capital

	31/12/2021		31/12/2020	
	No	£	No.	£
A Ordinary shares of £0.001 each	236,296	236.30	236,296	236.30
B Ordinary shares of £0.001 each	389,076	389.08	389,076	389.08
C Ordinary shares of £0.001 each	34,000	34.00	34,000	34.00
D Ordinary shares of £0.001 each	817,221	817.22	817,221	817.22
	<u>1,476,593</u>	<u>1,476.60</u>	<u>1,476,593</u>	<u>1,476.60</u>

18. Related party transactions

During the year the company the following related party transactions:

Inditex

In addition to the intercompany loans, £2,884,652 (2020: £4,396,998) was due to Tradebyte Software Limited from Zalando SE related to Inditex sales commissions. As at 31st December 2021 the outstanding balance due for payment was £54,035 (2020: £449,610).

Tradebyte DE

Also, this year Tradebyte Software Limited entered into a profit share agreement with Tradebyte Software GmbH from 1st April 2021 to 31st December 2021 from which the total income for the year of £367,417 is held as a receivable as at 31st December 2021.

Tradebyte Software Limited
REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Zalando SE

The total amount due to Zalando SE from Tradebyte Software Limited through Management Charges was £649,342 (2020: £802,654) and Tradebyte Software Inc was £4,489 (2020: £4,501).

19. Parent and ultimate parent undertaking

As at 31st December 2021 Zalando SE owned 98.7% of Tradebyte Software Limited share capital. Post the year-end date, Zalando SE increased its shareholding in Tradebyte Software Limited post the year end from 98.7% to 100%.

The ultimate parent company and ultimate controlling entity was Zalando SE, a company incorporated and registered in Germany. The smallest and largest group that publishes consolidated financial statements incorporating the results of this Company is Zalando SE. Copies of the financial statements of the ultimate parent company are available from the Zalando SE website.

20. Post Balance Sheet event

There are no post balance sheet events which require disclosure in these financial statements.