

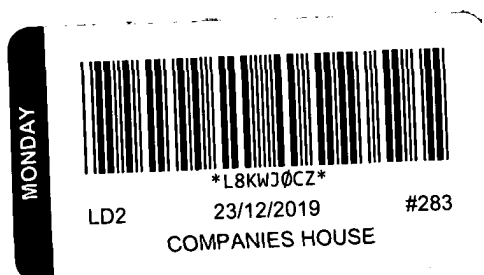
Yoti Ltd

Annual Report and Financial Statements

Year Ended

31 March 2019

Company Number 08998951



Yoti Ltd

Company Information

Directors	N T J Hayden R J Tombs H C Godsal M Nori J J Browett
Registered number	08998951
Registered office	Fountain House 130 Fenchurch Street London EC3M 5DJ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Yoti Ltd

Contents

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 26

Yoti Ltd

Strategic Report For the Year Ended 31 March 2019

Principal activity

The principal activity of the company is that of a technology development company, developing and marketing its software solutions and products. The company's objective is to become a global identity platform for consumers, businesses and governments. The company invests significantly in research and development, particularly in the fields of biometrics and artificial intelligence. The company generated £22,079 of revenue from its principal activity during the current year (2018 - nil).

Business review and future developments

During the year the business continued to invest significantly in the development of its proprietary technology and platform, as well as in its operational capability, in preparation for the monetisation of its service offerings.

In addition to the core Yoti App, considerable advances were also made in the development of Yoti's e-signing product, new embedded identity verification solution, as well as its AI services, all of which are aimed at developing a stronger B2B market presence.

During the year a number of key commercial partnerships were signed.

Financial key performance indicators

Given the stage of the business, the number of relevant financial KPIs are limited. However, we monitor carefully our user cost of acquisition, our onboarding conversion rates, our cost structure and our costs of sale, in order to validate the company's strategy and to ensure that investment in the company and its products is well controlled and directed.

Principal risks and uncertainties

Competitors

There is strong competition in the rapidly growing field of identity verification as a service, although more so in the B2B space than user-centric B2C offerings, with some companies being currently more developed than Yoti. However, rapid development in the sophistication of both online fraud and the technology to prevent it, means that the market is constantly developing and growing. We believe that our strong suite of products, including identity verification, authentication, age verification, access control and e-signing, gives us a robust and competitive platform.

Regulatory

Regulatory issues are central to our business. Our ability to market our services in a number of industries and countries relies on regulatory approval. However, as an identity platform with a number of different products, our market opportunities are diversified, providing a natural hedge to regulatory risk. We continue to monitor the consequences of existing and new privacy regulation, such as GDPR, both in terms of how we manage our own data flows, but also as a market opportunity for Yoti services.

Foreign Exchange Risk

The majority of the company's current revenue and expenditure is in sterling. However, during the normal course of business, the company is exposed to some foreign exchange risk, principally in relation to some key suppliers who invoice in USD or EUR. However these risks are not currently considered material, and therefore the company does not yet use financial instruments to hedge this risk.

Credit Risk

This is not a material risk at this stage of the company's development.

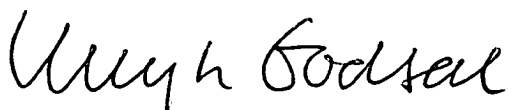
Yoti Ltd

Strategic Report (continued) For the Year Ended 31 March 2019

Funding Risk

Given the stage of the business, any financing carries greater risk compared to funding an established business. However, the relative nascency of the identity verification as a service industry as well as the continued growth of the e-sign market, provide significant potential for up-side. The directors are confident that the company can, in addition to the ongoing support of our existing shareholders, source the necessary funding over the next few years in order to achieve its goals.

This report was approved by the board on 20 December 2019 and signed on its behalf.



H C Godsal
Director

Yoti Ltd

Directors' Report For the Year Ended 31 March 2019

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

Principal activity during the year

Yoti Ltd is a technology development company. It is developing its software with the aim of becoming a global identity platform the use of which will be licensed to both businesses and individuals. Its research and development continues to place a strong emphasis on innovative technologies, using biometrics and artificial intelligence to augment its software.

Results and dividends

The loss for the year, after taxation, amounted to £21,195,705 (2018 - loss £12,060,143).

The directors do not recommend the payment of a dividend (2018 - £Nil).

During the year Yoti Ltd generated £22,079 of revenue from its principal activity. In the prior year Yoti Ltd sold the intellectual property developed by the company to its parent company Yoti Holding Ltd for consideration of £3,000,000.

Directors

The directors who served during the year were:

N T J Hayden
R J Tombs
H C Godsal
M Nori (appointed 8 July 2018)
J J Browett (appointed 22 November 2018)
D R Francis (resigned 6 March 2019)

Going concern

The financial statements have been prepared on a going concern basis despite the net liabilities of £48,169,715 (2018 - £27,137,008). The directors have reviewed the cash flow forecasts of the group headed by Yoti Holding Ltd for the next 12 months and have confirmed that they have received letters of support from certain shareholders that they will not demand repayment of the loans due to them totaling £45,728,933 (2018 - £26,044,029) until such a time as the company has sufficient funds to make the repayment. In addition for a period of no less than 12 months from the date of approval of the financial statements certain shareholders of Yoti Holding Ltd have confirmed that they will continue to provide support and financial resources required to meet the company's liabilities as they fall due. Consequently the directors believe the group and company will continue as a going concern and the financial statements have been prepared on this basis.

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.

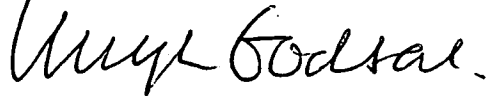
Yoti Ltd

Directors' Report (continued) For the Year Ended 31 March 2019

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 and signed on its behalf.



H C Godsal
Director

Date: 20 December 2019

Yoti Ltd

Directors' Responsibilities Statement For the Year Ended 31 March 2019

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 audited 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;
- 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.

Yoti Ltd

Independent Auditor's Report to the Members of Yoti Ltd

Opinion

We have audited the financial statements of Yoti Ltd ("the company") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 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 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.

Yoti Ltd

Independent Auditor's Report to the Members of Yoti Ltd (continued)

Other information

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

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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.

Yoti Ltd

Independent Auditor's Report to the Members of Yoti Ltd (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.

BDO LLP

Oliver Chinneck (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

20 December 2019

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

Yoti Ltd

Statement of Comprehensive Income For the Year Ended 31 March 2019

	Note	2019 £	2018 £
Turnover		22,079	-
Other operating income	4	-	3,201,219
Administrative expenses		(22,817,008)	(16,875,137)
Operating loss	5	(22,794,929)	(13,673,918)
Interest payable and similar charges	9	(686,334)	(441,431)
Loss before tax		(23,481,263)	(14,115,349)
Tax on loss	10	2,285,558	2,055,206
Loss for the financial year		(21,195,705)	(12,060,143)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(21,195,705)	(12,060,143)

The notes on pages 12 to 26 form part of these financial statements.

Yoti Ltd
Registered number: 08998951

Statement of Financial Position
As at 31 March 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		22,054		29,381
Tangible assets	12		1,059,883		1,140,969
			<u>1,081,937</u>		<u>1,170,350</u>
Current assets					
Debtors: amounts falling due within one year	13	5,496,382		4,448,166	
Cash at bank and in hand		436,645		1,050,955	
		<u>5,933,027</u>		<u>5,499,121</u>	
Creditors: amounts falling due within one year	14	(55,134,679)		(33,606,479)	
Net current liabilities			<u>(49,201,652)</u>		<u>(28,107,358)</u>
Total assets less current liabilities			<u>(48,119,715)</u>		<u>(26,937,008)</u>
Provisions for liabilities					
Other provisions	15		(50,000)		(200,000)
Net liabilities			<u>(48,169,715)</u>		<u>(27,137,008)</u>
Capital and reserves					
Called up share capital	16		10		10
Capital contribution reserve	17		416,393		253,395
Profit and loss account	17		(48,586,118)		(27,390,413)
Total equity			<u>(48,169,715)</u>		<u>(27,137,008)</u>

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



H C Godsal
Director

Date: 20 December 2019

The notes on pages 12 to 26 form part of these financial statements.

Yoti Ltd

Statement of Changes in Equity For the Year Ended 31 March 2019

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2018	10	253,395	(27,390,413)	(27,137,008)
Comprehensive income for the year				
Loss for the year	-	-	(21,195,705)	(21,195,705)
Total comprehensive loss for the year	-	-	(21,195,705)	(21,195,705)
Contributions by and distributions to owners				
Share based payment	-	162,998	-	162,998
Total transactions with owners	-	162,998	-	162,998
At 31 March 2019	10	416,393	(48,586,118)	(48,169,715)

Statement of Changes in Equity For the Year Ended 31 March 2018

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2017	10	185,376	(15,330,270)	(15,144,884)
Comprehensive income for the year				
Loss for the year	-	-	(12,060,143)	(12,060,143)
Total comprehensive loss for the year	-	-	(12,060,143)	(12,060,143)
Contributions by and distributions to owners				
Share based payment	-	68,019	-	68,019
Total transactions with owners	-	68,019	-	68,019
At 31 March 2018	10	253,395	(27,390,413)	(27,137,008)

The notes on pages 12 to 26 form part of these financial statements.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

1. General information

Yoti Ltd 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 is set out in the directors' 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 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 presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 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;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Yoti Holding Ltd as at 31 March 2019 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis despite the net liabilities of £48,169,715 (2018 - £27,137,008). The directors have reviewed the cash flow forecasts of the group headed by Yoti Holding Ltd for the next 12 months and have confirmed that they have received letters of support from certain shareholders that they will not demand repayment of the loans due to them totaling £45,728,933 (2018 - £26,044,029) until such a time as the company has sufficient funds to make the repayment. In addition for a period of no less than 12 months from the date of approval of the financial statements certain shareholders of Yoti Holding Ltd have confirmed that they will continue to provide support and financial resources required to meet the company's liabilities as they fall due. Consequently the directors believe the group and company will continue as a going concern and the financial statements have been prepared on this basis.

2.4 Revenue

Revenue 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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 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.

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Intangibles are amortised over a 3 year life.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.6 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Office equipment	- 33% per annum
Computer equipment	- 33% per annum

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 in the statement of comprehensive income.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.8 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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 of the recoverable amount, 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.

2.9 Creditors

Short term creditors are measured at the transaction price.

2.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational 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.

2.11 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.

2.12 Operating leases: the company as lessee

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.13 Taxation

Tax is recognised in the statement of comprehensive income, except that a change 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.

As the company is currently an early stage software company it incurs certain expenses that are available to be claimed as a credit for tax purposes even if no tax liability exists. These are recorded when the company believes they are recoverable.

2.14 Research and development

Research and development costs in relation to software development and staff costs are expensed in the period that they are incurred.

2.15 Share based payments

Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value is determined at the grant date of the equity-settled share-based payments and is expensed in the period it relates to. The fair value is measured using the most appropriate valuation method and the charge is spread over the vesting period. The expense is recorded as a share based payment charge and as a capital contribution in equity as the shares and share options have been issued by the ultimate parent company, Yoti Holding Ltd.

2.16 Pensions

Defined contribution pension plan

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 payments 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.

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

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.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.18 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.

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

In preparing these financial statements the directors have had to make the following judgements:

- Determining whether costs incurred on internal projects satisfy the criteria to qualify for tax credits from the HMRC. Factors considered include ensuring technology costs achieve an advance in the overall knowledge or capability in a field of technology through the resolution of scientific or technological uncertainty and not simply an advance in its own state of knowledge or capability.
- Determining the value of share options issued to their employees by the parent company. Factors considered include share option model, leaver assumptions and trading forecasts.

4. Other operating income

	2019 £	2018 £
Sale of intellectual property to Yoti Holding Ltd	-	3,000,000
Sale of proprietary technology	-	201,219
	<u>-</u>	<u>3,201,219</u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Research & development charged as an expense	7,558,082	6,162,682
Depreciation of tangible fixed assets	704,881	593,587
Amortisation of intangible assets	7,327	5,492
Exchange differences	15,696	16,825
Other operating lease rentals	402,016	392,500
Defined contribution pension costs	129,383	29,899
Auditor's remuneration - company audit	17,700	21,000
Auditor's remuneration for non audit services	3,750	20,561
	<u>7,939,745</u>	<u>7,341,556</u>

6. Employees

	2019 £	2018 £
Wages and salaries	11,457,548	7,811,458
Social security costs	1,455,550	900,329
	<u>12,913,098</u>	<u>8,711,787</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Directors	5	4
Employees	217	162
	<u>222</u>	<u>166</u>

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	351,247	130,288
Share based payments	28,280	11,859
	<u>379,527</u>	<u>142,147</u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

8. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. During the year, salaries and share based payment charges of key management personnel totalled £884,349 (2018 - £650,387).

These individuals also received compensation in relation to shares and options issued by the ultimate parent company, Yoti Holding Ltd. They received 100,000 EMI options (2018 - 90,000). They also received 7,500 D shares from the exercise of options (2018 – Nil).

9. Interest payable and similar charges

	2019 £	2018 £
Related party loan interest payable	684,903	441,431
Other interest payable	1,431	-
	<u>686,334</u>	<u>441,431</u>

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on losses for the year	(2,520,620)	(2,055,255)
Adjustments in respect of previous periods	235,062	49
Taxation on loss on ordinary activities	<u>(2,285,558)</u>	<u>(2,055,206)</u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

10. Taxation (continued)

Factors affecting tax charge for year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(23,481,263)</u>	<u>(14,115,349)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(4,461,455)	(2,681,916)
Effects of:		
Expenses not deductible for tax purposes	37,312	29,175
Additional deduction for R&D expenditure	(1,866,315)	(1,519,126)
Surrender of tax losses for R&D tax credit refund	782,262	637,837
Adjustments to tax charge in respect of previous periods	235,062	49
Deferred tax not recognised	2,987,576	1,478,775
Total tax credit for the year	<u><u>(2,285,558)</u></u>	<u><u>(2,055,206)</u></u>

Factors that may affect future tax charges

The future tax rate will decrease to 17% from 1 April 2020.

The company had carried forward tax losses of £31,838,887 (2018 - £17,042,616). No deferred tax asset has been recognised due to uncertainty over the company's ability to offset against future profits.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

11. Intangible assets

	Computer software £
Cost	
At 1 April 2018	38,883
Disposals	(169)
At 31 March 2019	<u>38,714</u>
Amortisation	
At 1 April 2018	9,502
Charge for the year	7,327
On disposals	(169)
At 31 March 2019	<u>16,660</u>
Net book value	
At 31 March 2019	<u><u>22,054</u></u>
At 31 March 2018	<u><u>29,381</u></u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

12. Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2018	490,068	1,679,407	2,169,475
Additions	11,719	618,939	630,658
Disposals	(10,796)	(31,483)	(42,279)
At 31 March 2019	490,991	2,266,863	2,757,854
Depreciation			
At 1 April 2018	145,654	882,852	1,028,506
Charge for the year	138,764	566,117	704,881
Disposals	(4,660)	(30,756)	(35,416)
At 31 March 2019	279,758	1,418,213	1,697,971
Net book value			
At 31 March 2019	211,233	848,650	1,059,883
At 31 March 2018	344,414	796,555	1,140,969

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

13. Debtors

	2019 £	2018 £
Trade debtors	40,566	-
Amounts owed by group undertakings	34,508	5,000
Other debtors	569,126	616,911
Prepayments and accrued income	510,500	342,794
Research and development tax credit receivable	4,341,682	3,483,461
	<u>5,496,382</u>	<u>4,448,166</u>

Included in other debtors is £106,800 (2018 - £106,800) falling due after more than one year.

No impairment loss was recognised in the profit or loss for the current or prior year in respect of bad and doubtful trade debtors.

14. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	334,087	409,075
Amounts owed to related parties	45,728,933	26,044,029
Amounts owed to parent company	8,009,405	5,818,274
Other taxation and social security	387,296	911,582
Other creditors	111,863	137
Accruals and deferred income	563,095	423,382
	<u>55,134,679</u>	<u>33,606,479</u>

Related party loans are repayable on demand. The loans accrued interest at 2% during 2019 and will continue to accrue interest at 2% on the basis that the loans have not been called. The loans accrued interest at 2% during 2018.

Amounts owed to the parent company are currently repayable on demand and no interest is being charged.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

15. Provisions

	Other provision £
At 1 April 2018	200,000
Amounts utilised in the year	(150,000)
At 31 March 2019	50,000

In April 2018 a settlement agreement was reached in respect of a supplier claim with £150,000 paid in April 2018 and a further £50,000 to be paid in April 2020 subject to certain conditions.

16. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,000 ordinary shares of £0.01 each	10	10

17. Reserves

The company's capital and reserves are as follows:

Share capital

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

Capital contribution reserve

The capital contribution reserve includes amounts relating to share based payment charges for shares issued by the parent company.

Profit and loss account

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

18. Share based payments

In July and December 2016 Yoti Holding Ltd issued 639,500 share options to employees of Yoti Ltd under an EMI share option scheme. During the year 46,500 (2018 - 68,250) options had lapsed and 9,000 (2017 - none) had vested and been exercised. The remaining 462,000 options remain unvested and were not capable of exercise at the year-end. The fair value was calculated as £0.60 per share on grant and a charge of £64,670 (2018 - £52,200) has been recorded.

In July 2017 Yoti Holding Ltd issued 87,000 share options to employees of Yoti Ltd under an EMI share option scheme. During the year 11,000 (2018 - 5,000) options had lapsed. The remaining 71,000 options remain unvested and were not capable of exercise at the year-end. The fair value was calculated as £0.57 per share on grant and a charge of £10,055 (2018 - £7,702) has been recorded in the current year.

In February 2018 Yoti Holding Ltd issued 209,000 share options to employees of Yoti Ltd under an EMI share option scheme. During the year 32,500 (2018 - 2,000) options had lapsed. The remaining 174,500 options remain unvested and were not capable of exercise at the year-end. The fair value was calculated as £1.10 per share on grant and a charge of £51,635 (2018 - £8,117) has been recorded in the current year.

In July 2018 Yoti Holding Ltd issued 146,500 share options to employees of Yoti Ltd under an EMI share option scheme. During the year 21,750 options had lapsed. The remaining 124,750 options remain unvested and were not capable of exercise at the year-end. The fair value was calculated as £1.10 per share on grant and a charge of £26,691 has been recorded in the current year.

In February 2019 Yoti Holding Ltd issued 326,650 share options to employees of Yoti Ltd under an EMI share option scheme. During the year no options had lapsed. All options remain unvested and were not capable of exercise at the year-end. The fair value was calculated as £1.10 per share on grant and a charge of £9,844 has been recorded in the current year.

In March 2019 Yoti Holding Ltd issued 11,250 share options to employees of Yoti Ltd under an EMI share option scheme. During the year no options had lapsed. All options remain unvested and were not capable of exercise at the year-end. The fair value was calculated as £1.10 per share on grant and a charge of £100 has been recorded in the current year.

All of the options are subject to vesting conditions linked to certain business valuation hurdles and leaver provisions. These vesting conditions can be accelerated at the discretion of the directors. The options have a nil pence exercise price.

19. 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 £129,383 (2018 - £29,899). Contributions totalling £29,007 (2018 - £137) were payable to the fund at the reporting date and are included in creditors.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2019

20. Commitments under operating leases

At 31 March 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Due not later than 1 year	435,100	346,100
Due later than 1 year and not later than 5 years	857,996	1,287,292
	<u>1,293,096</u>	<u>1,633,392</u>

21. Related party transactions

The company is a wholly owned subsidiary of Yoti Holding Ltd and has taken advantage of the exemption conferred by Section 33.1A of FRS102 not to disclose transactions with Yoti Holding Ltd or other wholly owned subsidiaries within the group.

During the year additional office space was rented from a company in which a director has a significant interest. Costs of £1,070 (2018 - £28,268) were charged to Yoti during the year. None of these charges were outstanding at the year end.

During the year Yoti services to the value of £5,629 were invoiced to a company in which a director has a significant interest. These invoices remained unpaid at the year-end. In the prior year Yoti sold, to this same company, some proprietary technology, this technology was sold at a value that was equal to the cost to develop it. This value was £201,219.

The group has outstanding loan balances with its directors who are significant shareholders of £45,728,933 (2018 - £26,044,029). The loans are unsecured with no terms and conditions and no guarantees have been received. The loans accrued interest during the year of £684,903 (2018 - £441,284).

During the year, key management personnel received total salaries and benefits of £884,349 (2018 - £650,387). The directors and key management personnel also received 7,500 D shares from the exercise of options (2018 - Nil) and 100,000 EMI options (2018 - 90,000).

22. Ultimate parent and controlling party

The company is a wholly owned subsidiary of Yoti Holding Ltd which is the ultimate parent company incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Yoti Holding Ltd, incorporated in England and Wales. The consolidated accounts of this company are available to the public from Companies House, Crown Way, Cardiff, CF14 3UZ.

In the opinion of the directors there is no ultimate controlling party.