

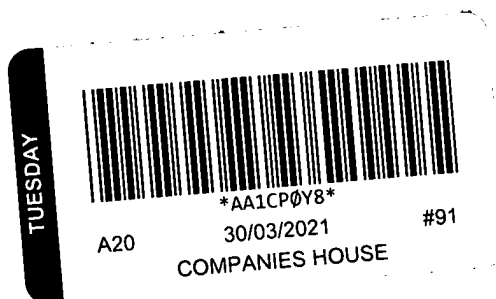
Yoti Ltd

Annual Report and Financial Statements

Year Ended

31 March 2020

Company Number 08998951



Yoti Ltd

Company Information

Directors	N T J Hayden R J Tombs H C Godsall 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

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Yoti Ltd

Strategic Report For the Year Ended 31 March 2020

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, artificial intelligence and digital security. The company generated £100,168 of revenue from its principal activity during the current year (2019 - £22,079).

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, its 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 these offerings were taken to market, and have received a positive response.

Whilst the government's decision to drop measures to be introduced by the Digital Economy Act impacted negatively on the business the outlook continues to be positive with a number of new markets emerging while current markets develop.

The emergence of Covid-19 as a global pandemic has caused some disruption to working practices and delayed the sales cycle with some businesses. However, it has also presented new opportunities, and encouraged some organisations to accelerate their digital transformation projects.

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. 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. Yoti believes that its strong suite of products, including identity verification, authentication, age verification and e-signing, gives Yoti a robust and competitive platform.

Regulatory

Regulatory issues are central to the business. Yoti's ability to market its services in a number of industries and countries relies on regulatory approval. However, as an identity platform with a number of different products, the company's market opportunities are diversified, providing a natural hedge to regulatory risk. The directors continue to monitor the consequences of existing and new privacy regulation, such as GDPR, both in terms of how the directors manage Yoti's own data flows, but also as a market opportunity for Yoti services. We believe governments and regulators are increasingly likely to update current laws that do not recognise digital forms of age and ID verification creating strong utility and motivation for individuals to create reusable digital ID.

This report was approved by the board on 25 Mar 2021 (UTC) and signed on its behalf.

Hugh Godsai



H C Godsai
Director

Yoti Ltd

Directors' Report For the Year Ended 31 March 2020

The directors present their report together with the audited financial statements for the year ended 31 March 2020.

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 £23,643,502 (2019 - loss £21,195,705).

The directors do not recommend the payment of a dividend (2019 - £Nil).

During the year Yoti Ltd generated £100,168 of revenue from its principal activity.

Directors

The directors who served during the year were:

N T J Hayden
R J Tombs
H C Godsall
M Nori
J J Browett

Going concern

The financial statements have been prepared on a going concern basis despite the net liabilities of £71,615,920 (2019 - £48,169,715). 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 Yoti Holding Ltd will not demand repayment for the loans due to it totalling £75,578,190 (2019 - £Nil). During the year the shareholder loans were transferred from Yoti Ltd to Yoti Holding Ltd.

Since the year end the shareholders have agreed to amend the terms of their loans to Yoti Holding Ltd so that they are no longer repayable on demand, but rather on the basis of meeting certain revenue and profit targets.

The group has also received confirmation from certain shareholders, that, for a period of no less than 12 months from the date of approval of the financial statements, they will continue to provide the 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 2020

Auditor

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

This report was approved by the board on 25 Mar 2021 (UTC) and signed on its behalf.

Hugh Godsall



H C Godsall
Director

Yoti Ltd

Directors' Responsibilities Statement For the Year Ended 31 March 2020

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

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

In preparing these 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 2020 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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



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

26 March 2021

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 2020

	Note	2020 £	2019 £
Turnover		100,168	22,079
Administrative expenses		(24,840,862)	(22,817,008)
Operating loss	4	(24,740,694)	(22,794,929)
Interest receivable and similar income	8	6,305	-
Interest payable and similar charges	9	(733,239)	(686,334)
Loss before tax		(25,467,628)	(23,481,263)
Tax on loss	10	1,824,126	2,285,558
Loss for the financial year		(23,643,502)	(21,195,705)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(23,643,502)	(21,195,705)

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 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	11		17,718		22,054
Tangible assets	12		732,338		1,059,883
			<u>750,056</u>		<u>1,081,937</u>
Current assets					
Debtors: amounts falling due within one year	13	5,269,479		5,496,382	
Cash at bank and in hand		125,468		436,645	
		<u>5,394,947</u>		<u>5,933,027</u>	
Creditors: amounts falling due within one year	14	(77,710,923)		(55,134,679)	
Net current liabilities			<u>(72,315,976)</u>		<u>(49,201,652)</u>
Total assets less current liabilities			<u>(71,565,920)</u>		<u>(48,119,715)</u>
Provisions for liabilities					
Other provisions	15	(50,000)		(50,000)	
			<u>(50,000)</u>		<u>(50,000)</u>
Net liabilities			<u>(71,615,920)</u>		<u>(48,169,715)</u>
Capital and reserves					
Called up share capital	16		10		10
Capital contribution reserve	17		613,690		416,393
Profit and loss account	17		(72,229,620)		(48,586,118)
Total Equity			<u>(71,615,920)</u>		<u>(48,169,715)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
25 Mar 2021 (UTC)

Hugh Godsall



H C Godsall
Director

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 2020

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2019	10	416,393	(48,586,118)	(48,169,715)
Comprehensive income for the year				
Loss for the year	-	-	(23,643,502)	(23,643,502)
Total comprehensive loss for the year	-	-	(23,643,502)	(23,643,502)
Contributions by and distributions to owners				
Share based payment	-	197,297	-	197,297
Total transactions with owners	-	197,297	-	197,297
At 31 March 2020	10	613,690	(72,229,620)	(71,615,920)

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)

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 2020

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 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 11.42, 11.44 to 11.45, 11.47, 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 2020 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 2020

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis despite the net liabilities of £71,615,920 (2019 - £48,169,715). 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 Yoti Holding Ltd will not demand repayment for the loans due to it totalling £75,578,190 (2019 - £Nil). During the year the shareholder loans were transferred from Yoti Ltd to Yoti Holding Ltd).

Since the year end the shareholders have agreed to amend the terms of their loans to Yoti Holding Ltd so that they are no longer repayable on demand, but rather on the basis of meeting certain revenue and profit targets; the group has also received confirmation from certain shareholders, that, for a period of no less than 12 months from that date of approval of the financial statements, they will continue to provide the 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 2020

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 cash, 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 2020

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

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.

2.11 Interest income

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

2.12 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.

2.13 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 2020

2. Accounting policies (continued)

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.

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.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.19 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.

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. The receivable as at 31 December includes both the 2019 and 2020 claim. The 2019 was subsequently received post year end.
- 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. Operating loss

The operating loss is stated after charging:

	2020 £	2019 £
Research & development charged as an expense	6,141,274	7,558,082
Depreciation of tangible fixed assets	688,972	704,881
Amortisation of intangible assets	4,336	7,327
Exchange differences	8,657	15,696
Other operating lease rentals	422,123	402,016
Defined contribution pension costs	223,883	129,383
Auditor's remuneration - company audit	19,125	17,700
Auditor's remuneration for non audit services	4,395	3,750

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2020

5. Employees

	2020 £	2019 £
Wages and salaries	12,858,099	11,457,549
Social security costs	1,496,140	1,326,167
Cost of defined contribution scheme	223,883	129,383
	<u>14,578,122</u>	<u>12,913,099</u>

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

	2020 No.	2019 No.
Directors	5	5
Employees	232	217
	<u>237</u>	<u>222</u>

6. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	354,300	351,247
Share based payments	31,947	28,280
	<u>386,247</u>	<u>379,527</u>

7. 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 £935,424 (2019 - £884,349).

These individuals also received compensation in relation to shares and options issued by the ultimate parent company, Yoti Holding Ltd. They received nil EMI options (2019 - 100,000). They also received 84,250 D shares from the exercise of options (2019 - Nil).

8. Interest receivable and similar income

	2020 £	2019 £
Other interest receivable	<u>6,305</u>	<u>-</u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2020

9. Interest payable and similar charges

	2020 £	2019 £
Related party loan interest payable	732,996	684,903
Other interest payable	243	1,431
	<u>733,239</u>	<u>686,334</u>

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on losses for the year	(2,048,105)	(2,520,620)
Adjustments in respect of previous periods	223,979	235,062
Total current tax	<u>(1,824,126)</u>	<u>(2,285,558)</u>

Factors affecting tax charge for year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(25,467,628)</u>	<u>(23,481,263)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(4,838,849)	(4,461,455)
Effects of:		
Expenses not deductible for tax purposes	54,233	37,312
Additional deduction for R&D expenditure	(1,516,895)	(1,866,315)
Surrender of tax losses for R&D tax credit refund	635,622	782,262
Adjustments to tax charge in respect of previous periods	223,979	235,062
Deferred tax not recognised	3,617,784	2,987,576
Total tax credit for the year	<u>(1,824,126)</u>	<u>(2,285,558)</u>

Factors that may affect future tax charges

There are no factors affecting future tax charges.

The company had carried forward tax losses of £50,389,535 (2019 - £32,504,081). 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 2020

11. Intangible assets

	Computer software £
Cost	
At 1 April 2019	38,714
At 31 March 2020	<u>38,714</u>
Amortisation	
At 1 April 2019	16,660
Charge for the year	4,336
At 31 March 2020	<u>20,996</u>
Net book value	
At 31 March 2020	<u>17,718</u>
At 31 March 2019	<u>22,054</u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2020

12. Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2019	490,991	2,266,863	2,757,854
Additions	18,145	343,282	361,427
Disposals	-	(542)	(542)
At 31 March 2020	509,136	2,609,603	3,118,739
Depreciation			
At 1 April 2019	279,758	1,418,213	1,697,971
Charge for the year	121,046	567,926	688,972
Disposals	-	(542)	(542)
At 31 March 2020	400,804	1,985,597	2,386,401
Net book value			
At 31 March 2020	108,332	624,006	732,338
At 31 March 2019	211,233	848,650	1,059,883

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2020

13. Debtors

	2020 £	2019 £
Trade debtors	8,097	40,566
Amounts owed by group undertakings	122,062	34,508
Other debtors	404,573	569,126
Prepayments and accrued income	376,331	510,500
Research and development tax credit receivable	4,358,416	4,341,682
	<u>5,269,479</u>	<u>5,496,382</u>

Included in other debtors is £106,800 (2019 - £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

	2020 £	2019 £
Trade creditors	474,519	334,087
Amounts owed to related parties	-	45,728,933
Amounts owed to group undertakings	586,672	-
Amounts owed to parent company	75,578,190	8,009,405
Corporation tax	11,849	-
Other taxation and social security	402,133	387,296
Other creditors	110,589	111,863
Accruals and deferred income	546,971	563,095
	<u>77,710,923</u>	<u>55,134,679</u>

Related party loans are repayable on demand. The loans accrued interest at 2%. During the year the related party loan, with a carrying value of £56,924,564 on the date of assignment, was assigned to the parent company and replaced with a corresponding amount owed to parent company.

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2020

15. Provisions

	Other provision £
At 1 April 2019	50,000
Amounts utilised in the year	-
At 31 March 2020	50,000

In April 2019 a settlement agreement was reached in respect of a supplier claim with £150,000 paid in April 2019 and a further £50,000 which was paid in April 2020.

16. Share capital

	2020 £	2019 £
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 2020

18. Share based payments

Starting in July 2016 Yoti Holding Ltd, the parent company, has granted options to the employees of Yoti Ltd under an EMI options scheme. 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 exercise price of all options in the scheme is the nominal value of the share itself, which is £0.00001. Since its inception the scheme has granted 1,419,900 options. There were no new options granted during the year (2019 - 484,400).

During the year 142,330 (2019 - 111,750) options were forfeited and 227,643 (2019 - 9,000) options were exercised. At the year end there are 795,677 (2019 - 1,165,650) options remaining, of which 172,883 have vested and so are capable of exercise.

The fair value of each option is determined at a grant date and is used to calculate the annual charge. A charge of £197,297 (2019 - £162,997) has been recognised this year.

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 £223,883 (2019 - £129,383). Contributions totalling £47,041 (2019 - £29,007) were payable to the fund at the reporting date and are included in creditors.

20. Commitments under operating leases

At 31 March 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Due not later than 1 year	435,005	435,100
Due later than 1 year and not later than 5 years	422,825	857,996
	<u>857,830</u>	<u>1,293,096</u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2020

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 Yoti services to the value of £4,492 (2019 - £5,629) were invoiced to a company in which a director has a significant interest. These invoices were unpaid at the year-end, but have since been paid in full.

The group has outstanding loan balances with its directors who are also significant shareholders of £61,030,205 (2019 - £45,728,933). The loans are unsecured with no terms and conditions and no guarantees have been received. The loans accrued interest during the year £1,051,272 (2019 - £684,903).

During the year, key management personnel received total salaries and benefits of £935,424 (2019 - £884,349). The directors and key management personnel also received 84,350 D shares from the exercise of options (2019 - nil) and nil EMI options (2019 - 100,000).

As at 31 December 2019 the group had outstanding loan balances with its directors who are also significant shareholders of £45,728,933. During the year the loan, with a carrying value of £56,924,564 on the date of assignment, was assigned to the parent company and replaced with an amount owed to parent company. The related party loan was unsecured with no guarantees. The loan accrued interest during the year of £732,996 (2019 - £684,903).

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.