

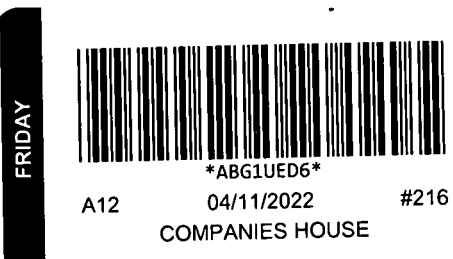
Yoti Ltd

Annual Report and Financial Statements

Year Ended

31 March 2022

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	6th Floor 107 Leadenhall Street London EC3A 4AF
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 2022

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2022.

Principal activity

The principal activity of the company is that of a technology development company, developing and marketing its software solutions. 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 £3,232,470 of revenue from its principal activity during the current year (2021 - £665,197).

Business review and future developments

During the year the business continued to monetise its suite of identity solutions that it has licensed from the group. This resulted in a significant increase in revenue, of 486%. The Yoti group has continued to invest heavily in the development of its proprietary technology and platform, as well as in its operational capability and levels of automation, in order to be able to scale its business very significantly and efficiently.

Functionality advances across its portfolio of solutions has seen Yoti win significant contracts with global brands, which will continue to increase revenue and network traction. In addition to this the development of new markets, both in the UK and globally, offers some very large opportunities in the coming year. This includes regulatory changes that have allowed new digital solutions to be developed for DBS, Right to Work and Right to Rent checks in the UK. Yoti has been building strong relationships with some of the key operators in this market which should put it in a strong position in the upcoming year.

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 solutions, including digital ID, 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 solutions, 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, 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 and signed on its behalf.

Hugh Godsal 

H C Godsal
Director

Date: 28 Oct 2022 (UTC)

Yoti Ltd

Directors' Report For the Year Ended 31 March 2022

The directors present their report together with the audited financial statements for the year ended 31 March 2022.

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 £21,910,250 (2021 - loss £18,144,517).

The directors do not recommend the payment of a dividend (2021 - £Nil).

During the year Yoti Ltd generated £3,232,470 (2021 - £665,197) of revenue from its principal activity.

Directors

The directors who served during the year were:

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

Going concern

The financial statements have been prepared on a going concern basis despite the net liabilities of £109,803,476 (2021 - £89,061,294). The directors have reviewed the cash flow forecasts of the company for the next 12 months and have confirmed that Yoti Holding Ltd will not demand repayment for the loans due to it totalling £110,940,737 (2021 - £92,527,371).

The directors of the company have also received confirmation from the parent company that, for a period of no less than 12 months from that date of approval of the financial statements, it will continue to provide the financial resources required to meet the company's liabilities as they fall due. The directors have assessed the ability of the ultimate owners to provide such support to the group and are confident that this will not be withdrawn. Consequently, the directors believe the group and therefore the 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 2022

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.

Hugh Godsai 

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H C Godsai
Director

Date: 28 Oct 2022 (UTC)

Yoti Ltd

Directors' Responsibilities Statement For the Year Ended 31 March 2022

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

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

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

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

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

Yoti Ltd

Independent Auditor's Report to the Members of Yoti Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 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.

We have audited the financial statements of Yoti Limited ("the company") for the year ended 31 March 2022 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).

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

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

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

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

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.

Yoti Ltd

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established by the group to mitigate risks related to fraud or non-compliance with laws and regulations; and
- discussing among the engagement team, how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
 - Management override of controls; and
 - Improper revenue recognition
- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, UK accounting standards, and relevant tax and employment legislation.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations noted above;
- enquiring of management, the directors and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- addressing the risk of fraud through management override of controls by, testing the appropriateness of journal entries including journal entries posted to revenue and other adjustments; assessing whether the judgements made about assumptions reflected in accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- addressing the risk of fraud in revenue recognition by performing substantive testing of the revenue recognised during the year.

Yoti Ltd

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

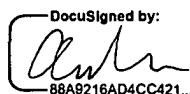
Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

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

29 October 2022

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 2022

	Note	2022 £	2021 £
Turnover	4	3,232,470	665,197
Cost of sales		(765,558)	(625,188)
Gross profit		2,466,912	40,009
Administrative expenses		(25,731,543)	(19,825,849)
Operating loss	5	(23,264,631)	(19,785,840)
Interest receivable and similar income	9	786	2,298
Interest payable and similar charges	10	(1,367)	(373)
Loss before tax		(23,265,212)	(19,783,915)
Tax on loss	11	1,354,962	1,639,398
Loss for the financial year		(21,910,250)	(18,144,517)

The notes on pages 12 to 25 form part of these financial statements.

Yoti Ltd
Registered number: 08998951

Statement of Financial Position
As at 31 March 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	12		14,119		14,119
Tangible assets	13		355,316		460,148
			<u>369,435</u>		<u>474,267</u>
Current assets					
Debtors	14	4,425,613		5,607,676	
Cash at bank and in hand		355,423		147,174	
		<u>4,781,036</u>		<u>5,754,850</u>	
Creditors: amounts falling due within one year	15	(114,953,947)		(95,290,411)	
Net current liabilities			<u>(110,172,911)</u>		<u>(89,535,561)</u>
Total assets less current liabilities			<u>(109,803,476)</u>		<u>(89,061,294)</u>
Net liabilities			<u>(109,803,476)</u>		<u>(89,061,294)</u>
Capital and reserves					
Called up share capital	16		10		10
Capital contribution reserve	17		2,480,901		1,312,833
Profit and loss account	17		(112,284,387)		(90,374,137)
Total deficit			<u>(109,803,476)</u>		<u>(89,061,294)</u>

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

Hugh Godsall 

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H C Godsall
Director

Date: 28 Oct 2022 (UTC)

The notes on pages 12 to 25 form part of these financial statements.

Yoti Ltd

Statement of Changes in Equity For the Year Ended 31 March 2022

	Called up share capital	Capital contribution reserve	Profit and loss account	Total deficit
	£	£	£	£
At 1 April 2021	10	1,312,833	(90,374,137)	(89,061,294)
Comprehensive loss for the year				
Loss for the year	-	-	(21,910,250)	(21,910,250)
Total comprehensive loss for the year	-	-	(21,910,250)	(21,910,250)
Contributions by and distributions to owners				
Share based payment	-	1,168,068	-	1,168,068
At 31 March 2022	10	2,480,901	(112,284,387)	(109,803,476)

Statement of Changes in Equity For the Year Ended 31 March 2021

	Called up share capital	Capital contribution reserve	Profit and loss account	Total deficit
	£	£	£	£
At 1 April 2020	10	613,690	(72,229,620)	(71,615,920)
Comprehensive loss for the year				
Loss for the year	-	-	(18,144,517)	(18,144,517)
Total comprehensive loss for the year	-	-	(18,144,517)	(18,144,517)
Contributions by and distributions to owners				
Share based payment	-	699,143	-	699,143
At 31 March 2021	10	1,312,833	(90,374,137)	(89,061,294)

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 2022

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 2022 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 2022

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis despite the net liabilities of £109,803,476 (2021 - £89,061,294). The directors have reviewed the cash flow forecasts of the company for the next 12 months and have confirmed that Yoti Holding Ltd will not demand repayment for the loans due to it totalling £110,940,737 (2021 - £92,527,371).

The directors of the company have also received confirmation from the parent company that, for a period of no less than 12 months from that date of approval of the financial statements, it will continue to provide the financial resources required to meet the company's liabilities as they fall due. The directors have assessed the ability of the ultimate owners to provide such support to the group and are confident that this will not be withdrawn. Consequently, the directors believe the group and therefore the 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. Revenue is recognised depending on the substance of the contract. The types of revenue recognition that we have in place are as follows:

Transactional Revenues

Revenue from a contract to provide services on a transaction by transaction basis is recognised in the period in the which the transaction occurs, provided:

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

Revenues of this nature include Digital ID, identity verification, AML, Age Estimation, PASS Card, Health and e-signing revenues.

Licence Fee Revenues

Revenue from a contract that is based on a licence fee is recognised over the period to which the contract relates, provided:

- 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.

Revenues of this nature include Digital ID, Age Estimation, Age Other, Credentials and Health revenues

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.4 Revenue (continued)

Subscription Revenues

Revenue from monthly subscriptions is recognised in the period to which the subscription relates, provided:

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

Revenues of this nature include e-signing revenues.

Revenue that is based on the completion of specific milestones is recognised in accordance with the stage of completion of the contract provided:

- 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.

Revenues of this nature include Age - Other and Other revenues.

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.

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.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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 profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment unless the arrangement constitutes a financial transaction.

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 group companies.

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.

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.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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 profit or loss on a straight-line basis over the lease term.

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.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

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 reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

2.18 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 continues to develop innovative software, they incur 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 at 31 March 2022 includes the 2022 claim (31 March 2021 includes 2020 and 2021 claim).
- 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.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	2,243,785	428,595
North America	4,781	8,071
Europe	662,884	108,081
Rest of the world	321,020	120,450
	<u>3,232,470</u>	<u>665,197</u>

5. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Research & development charged as an expense	4,062,854	4,915,737
Depreciation of tangible fixed assets	310,876	461,531
Amortisation of intangible assets	-	2,020
Exchange differences	(2,022)	5,276
Other operating lease rentals	295,734	420,727
Define contribution pension costs	208,162	198,568
Auditor's remuneration - company audit	30,000	22,144
Auditor's remuneration for non audit services	4,894	4,500

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

6. Employees

	2022 £	2021 £
Wages and salaries	13,027,975	11,190,910
Social security costs	1,545,960	1,308,214
Cost of defined contribution scheme	208,162	198,568
	<u>14,782,097</u>	<u>12,697,692</u>

During the year, total share based payment charges incurred were £1,168,068 (2021 - £699,143).

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

	2022 No.	2021 No.
Directors	5	5
Employees	212	217
	<u>217</u>	<u>222</u>

7. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	368,998	336,526
Share based payments	95,746	80,626
	<u>464,744</u>	<u>417,152</u>

8. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company.

All salaries paid to key management personnel are borne by its subsidiary Yoti Ltd and including share option charges was £951,579 (2021 - £850,771). They received 183,250 D shares (2021 - Nil) from exercising options and were granted 15,000 Options (2021 - 17,400).

9. Interest receivable and similar income

	2022 £	2021 £
Other interest receivable	<u>786</u>	<u>2,298</u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

10. Interest payable and similar charges

	2022 £	2021 £
Other interest payable	1,367	373

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on losses for the year	(1,354,962)	(1,639,398)
Total current tax	(1,354,962)	(1,639,398)

Factors affecting tax charge for year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(23,265,212)	(19,783,915)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(4,420,390)	(3,758,944)
Effects of:		
Fixed asset differences	(14,423)	410
Expenses not deductible for tax purposes	349	28,985
Additional deduction for R&D expenditure	(1,003,525)	(1,214,187)
Surrender of tax losses for R&D tax credit refund	420,506	508,779
Deferred tax not recognised	3,662,521	2,795,559
Total tax charge for the year	(1,354,962)	(1,639,398)

Factors that may affect future tax charges

Increase in the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) have been substantively enacted and deferred tax has been computed accordingly. On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19 % from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 March 2022..

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

12. Intangible assets

	Computer software £
Cost	
At 1 April 2021	31,359
At 31 March 2022	31,359
Amortisation	
At 1 April 2021	17,240
At 31 March 2022	17,240
Net book value	
At 31 March 2022	14,119
At 31 March 2021	14,119

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

13. Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2021	486,542	2,795,511	3,282,053
Additions	-	253,044	253,044
Disposals	(350,654)	-	(350,654)
At 31 March 2022	135,888	3,048,555	3,184,443
Depreciation			
At 1 April 2021	431,592	2,390,313	2,821,905
Charge for the year	6,792	304,084	310,876
Disposals	(303,654)	-	(303,654)
At 31 March 2022	134,730	2,694,397	2,829,127
Net book value			
At 31 March 2022	1,158	354,158	355,316
At 31 March 2021	54,950	405,198	460,148

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

14. Debtors

	2022 £	2021 £
Trade debtors	331,034	210,904
Amounts owed by group undertakings	1,142,945	564,257
Other debtors	700,574	514,312
Prepayments and accrued income	896,098	630,690
Research and development tax credit receivable	1,354,962	3,687,513
	<u>4,425,613</u>	<u>5,607,676</u>

All amounts shown in debtors falls due for payment within one year except an amount of £180,903 (2021 - £106,800) included in other debtors.

Impairment loss of £11,629 (2021 - £2,322) was recognised in the profit or loss in respect of bad and doubtful trade debtors.

Amounts owed by group undertakings are unsecured, interest free, and have no fixed date of repayment.

15. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,173,386	588,589
Amounts owed to group undertakings	1,129,258	1,028,408
Amounts owed to parent company	110,940,737	92,527,371
Other taxation and social security	438,828	377,597
Other creditors	141,365	113,858
Accruals and deferred income	1,130,373	654,588
	<u>114,953,947</u>	<u>95,290,411</u>

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

16. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1,000 ordinary shares of £0.01 each	<u>10</u>	<u>10</u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

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.

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 1,542,050 options (2021 - 1,542,050). During the year nil (2021 - nil) EMI options were granted.

During the year 42,736 (2021 - 107,825) EMI options were forfeited and 336,178 (2021 - 24,357) EMI options were exercised. At the year end there are 408,281 (2021 - 787,195) EMI options remaining, of which 284,127 have vested and so are capable of exercise.

Starting in May 2020 Yoti Holding Ltd, the parent company, has granted options to employees of Yoti Ltd under a CSOP 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 options have an exercise price set in consultation with HMRC, which is different for each set of options granted. Since its inception the scheme has granted 291,400 options (2021 - 61,000). During the year 230,400 (2021 - 61,000) CSOP options were granted. These were granted with a fair value of £20, on the basis of the share value in the August 2021 A share rights issue.

During the year 29,450 (2021 - 4750) CSOP options were forfeited and 1,096 (2021 - nil) CSOP options were exercised. At the year end there are 256,104 (2021 - 56,250) CSOP options remaining, of which none has vested and so none is capable of exercise.

The fair value of all options is determined at grant date and is used to calculate the annual charge. A total charge of £1,168,068 (2021 - £699,143) has been recognised this year for both schemes.

The fair value of share options granted is estimated at the date of grant. The expense associated with issuing these options is pushed down from the ultimate parent company to Yoti Ltd in which the employees are employed. The expense is recognised in profit or loss in Yoti Ltd with a corresponding increase in capital contributed received from the parent company.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2022

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 £208,162 (2021 - £198,568). Contributions totalling £50,987 (2021 - £92,891) were payable to the fund at the reporting date and are included in creditors.

20. Commitments under operating leases

At 31 March 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Due not later than 1 year	225,367	348,504
Due later than 1 year and not later than 5 years	143,732	178,000
	<u>369,099</u>	<u>526,504</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, key management personnel received total salaries and benefits of £951,579 (2021 - £850,771). The directors and key management personnel also received 183,250 D shares from the exercise of options (2021 - Nil) and 15,000 EMI options (2021 - 17,400).

During the year services to the value of £43,126 (2021 - £40,242) were invoiced to a company in which a director has a significant interest. These invoices have all been paid.

22. Post balance sheet events

On 15 August 2022, Yoti Ltd signed an agreement with an investment firm to enter into a short term loan agreement with a facility of up to £5m. The first drawdown of £1.6m was made on 18 August 2022, and is repayable over a period of 18 months.

23. 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 Robin Tombs is the controlling party.