

Registered number 11488502

ZILCH TECHNOLOGY LIMITED

Annual report and consolidated financial statements  
for the year ended 31 March 2022



## ZILCH TECHNOLOGY LIMITED

### Annual report and consolidated financial statements for the year ended 31 March 2022

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# **ZILCH TECHNOLOGY LIMITED**

## **COMPANY INFORMATION**

### **Directors**

P M Belamant

S Belamant (appointed 20 October 2021)

P Chernyshov (appointed 20 October 2021)

S O'Connor (appointed 28 June 2022)

### **Registered Number**

11488502

### **Registered Office and Principal Place of Business**

123 Buckingham Palace Road

London

England

SW1W 9SH

### **Independent Auditors**

Grant Thornton

Chartered Accountants

& Statutory Auditors

13-18 City Quay

Dublin 2

Ireland

# ZILCH TECHNOLOGY LIMITED

## Strategic Report

The directors present their strategic report on Zilch Technology Limited and its consolidated group (the "Group") for the 12-month period ended 31 March 2022.

### Principal Activities

Zilch is a UK-headquartered payments technology company that primarily provides consumers with interest free loans to pay for goods and services by leveraging its Ad Subsidized Payments Network (ASPN). As a result, Zilch facilitates financial inclusion by offering its customers various financial products such as on-line and off-line credit and debit made possible by its proprietary and secure payment technology. The company operates in the UK and the USA, where it is regulated by the FCA and CFPB respectively.

### Business Review

For the 12-month period ended 31 March 2022, Zilch executed on its growth strategy acquiring over 1.8 million registered customers in the UK (2.1 million from launch), driving industry leading customer engagement, allowing customers to use the product ubiquitously (both online and in store) and expanding its geographic footprint into the US market. Notable successes included the launch of the Zilch App across iOS and Android devices (hitting number one in the App Store), enabling customers to spend in store by launching Tap & Pay functionality for Apple, Google and Samsung Wallets and launching the US operation in under 8 months from the strategic acquisition of Neptune Financial Inc. ("Nepfin") to taking the product live with consumers.

Over the course of the period, Zilch drove customer acquisition through organic interest, performance marketing, and targeted referral campaigns resulting in 1.8 million customers completing registration taking the total number of registered customers to 2.1 million. Zilch's unprecedented speed of customer acquisition in the UK Fintech sector is a testament to the attractiveness of the Company's product, its frictionless onboarding and underwriting procedures, the ease of use and intuitiveness of the product and the comfort customers take in knowing they enjoy protection from Zilch's regulated status with the FCA.

In addition to its existing Pay-in-4 product (the ability to split the cost of items over 4 fortnightly payments) Zilch added Pay-in-1 functionality (paying for goods in one debit card type transaction), the ability to pay in store with either Pay-in-1 or Pay-in-4 using Tap & Pay, as well as the App, which provides customers with a seamless purchase experience. These features alongside the ubiquitous acceptance of the Zilch virtual card propelled the frequency of usage of the product amongst active customers to 52 times per annum on average by the end of the year. The launch of Pay-in-1 slightly diluted revenue take rates, however this was more than offset by the increase in absolute revenue due to the higher volume over both Pay-in-4 and Pay-in-1 since many customers adopted Zilch as their primary spending method.

The Group grew its revenue 15.7 times, reporting £11 million in the 12-month period ended 31 March 2022, compared to prior period of £0.7 million. This was driven primarily by volume with Gross Merchant Value ("GMV") hitting £396 million (period ended 31 March 2021: £24 million). Growth in GMV was driven by customer acquisition through the period, as well as increasing usage of the product by customers.

To support the growth of the business, the Group shored up its development and customer servicing teams in the UK and onboarded staff across all functions in the USA, with total headcount increasing to 195 at the end of the year.

Zilch's business model was designed from the outset to be transferrable across multiple geographies, with the technology stack built to be hyper-scaled, configurable without being dependent on any one supplier and agnostic to card scheme. Key to the rollout into any territory is the necessary regulatory approval. Zilch engaged with the FCA application process before onboarding a single customer. Zilch's unique, over-the-top technology solution enabled Zilch USA to go live in March 2022, six months after commencing the business plan.

# ZILCH TECHNOLOGY LIMITED

## Strategic Report (continued)

Taking into account the significant growth in registered customers and the one-time costs (comprised of lead generation, onboarding and “forced churn” provisioning related to initial customer delinquencies totaling £18.29 million) that were incurred in acquiring them during the year, along with the increased growth in headcount and related costs, net losses have increased commensurately. However, with the strong capital position that Zilch enters the 2023 financial year following the Series C capital raise, the Group is well positioned to grow and support its customers across the UK and US by executing on its business strategy and building value for all stakeholders.

### Key Performance Indicators

The directors consider the KPIs to be GMV, number of registered customers and Average Order Frequency (“AOF”) across the whole base of spending customers during the year. The Group achieved strong improvements in these areas, reflective of the growth seen in the table below.

	FY22	FY21	Growth YoY
GMV	£396,000,764	£23,542,764	1582%
Registered Customers	2,017,955	203,306	893%
AOF	14.61	4.03	262%
Average Monthly Spend per Customer	£181	£89	103%
Revenue Take Rate	2.77%	3.11%	

### Prospects for the 2023 financial year

Given the shift in the macroeconomic environment and uncertainty experienced in the months subsequent to year end, Zilch will focus on driving net transaction margin by increasing revenue take rates and bolstering revenue streams, driving down card processing costs on the back of significant volume, reducing defaults on credit transactions through enhanced underwriting and customer selection, and optimising the efficient use of debt capital.

### Principal Risks and Uncertainties

#### Principal Risks

This section outlines the five principal risks and provides more detail on the underlying policies which underpin each of these.

**Conduct Risk** – is the risk of poor outcomes for, or harm to customers from the delivery of the Group’s products and services. Conduct Risk controls and governance are set by policies covering: “*Anti-Bribery and Corruption*”, “*AML, Financial Crime and Sanction*”, “*Complaints*” and “*Financial Promotions*”.

**Credit and Fraud Risk** – is the risk of loss to the Group from the failure of customers to honour their obligations either due to their inability to pay, or where a transaction was initiated fraudulently (by a 1st or 3rd party). The controls and governance are set by policies covering: “*Credit Risk*” and “*Fraud*”.

**Funding Risk** – is the risk that the Group has insufficient liquidity to meet its contractual obligations, has insufficient capital to support its business, or that changes in FX or Interest Rates materially impact the Group’s liquidity or capital.

# ZILCH TECHNOLOGY LIMITED

## Strategic Report (continued)

**Operational Risk** – is the risk of losses caused by flaws, failures or disruption in our people strategy, processes, or systems. Operational Risk controls and governance are set by policies covering: “*HR Handbook*” and “*People Security*”; “*Expense Management*” and “*Vendor Management*”; and IT policies covering “*Acceptable Use*”, “*BCP & Security Incident Management*”, “*Information Classification and Management*”, “*IT Communications and Software Development*” and “*Information Security*”.

**Reputation Risk** – is the risk of failure to meet stakeholders expectations as a result of any behaviour, action or inaction by Zilch that may cause a negative view of the Group. Reputation risk controls and governance are set by policies covering: “*Disclosure Signoff*”, “*Senior Manager Regime*”, and “*Whistleblowing*”. If or when we become a public company this would expand to cover “*Market Abuse*” and “*Share Dealing*”.

### Risk Management

Effective risk management is central to supporting our business strategy. The framework and structure we use to manage risk is reviewed and approved by the Board at least annually. There are several components to our risk management framework:

- **Principal Risks** – our five principal risks are Conduct, Credit & Fraud, Funding, Operational and Reputational. These risks create a framework to bucket aligned policies and controls and ensure completeness in our control coverage.
- **Specific Policies** – each principal risk is supported by policies which outline the key controls, training, monitoring and reporting requirements for each risk with dedicated roles and responsibilities. Every policy is owned by an ExCo member.
- **Three Lines of Defence** – we implement the three lines of defence model with Business (Product, Operations & Technology) as our first line of defence; with a dedicated Risk and Compliance function as our second line to review and challenge; and Independent Assurance of controls effectiveness providing the third line of defence.
- **Governance** – the Board, its Risk Committee and Audit Committee ensure effective review and challenge of business strategy and the Board’s risk appetite.

### Going Concern

The Directors have reviewed the Group’s business plan, funding and key risks, including income statement and cash flow forecasts. The Board has concluded that the company has sufficient resources available to be able to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements. The business plan reflects the uncertain economic conditions resulting from the change in the capital markets environment and the cost-of-living. The Board considers it appropriate to prepare the financial statements on a going concern basis (see note 1).

### Section 172 statement

Under Section 172 of the Companies Act 2006, the directors of the company are taking steps as required to promote the success of the company for the benefit of its stakeholders. The board of directors are committed to a quarterly Governance board meeting to allow issues to be discussed with senior leaders in the business.

The directors have sought to always conduct themselves honestly, fairly, and impartially and in accordance with the highest ethical standards.

Below we summarise our key stakeholder groups, the methods we use to engage with them and how they impact the company’s decisions and strategies.

## **ZILCH TECHNOLOGY LIMITED**

### **Strategic Report (continued)**

#### **a) Likely consequences of any decisions in the long term**

Whilst day-to-day management is delegated to the executive management team, the Board retains oversight of matters of strategic importance, including the long-term objectives and overall strategic policy of the Company.

#### **b) Interests of employees**

Retention of key staff is critical. The Company has invested in employment training and development. We have appropriate incentive and career development arrangements as our people are the most important resource we have.

We maintain a safe, healthy, and sustainable environment for our employees. We provide support to staff for mental and physical well-being. Employees have access to private healthcare and online therapy. Our commitment to diversity, inclusivity, and equal opportunities is reflected in the Company's employee policy. There is no toleration of any form of discrimination.

#### **c) Relationships with Suppliers, Customers and Stakeholders**

The Board is conscious of the importance of lasting relationships with suppliers, customers, and stakeholders. We have a Customer Success team that is dedicated to product support via email, telephone, or instant message.

Zilch has revolutionised how consumers pay for goods by turning the traditional model of high interest consumer credit on its head. Responsible spending and affordability rules are built into the service to help customers never get stuck in debt cycles. In the event a customer fails to make a repayment, their service is immediately suspended. Zilch does not charge any late fees but gives the customer the option to extend their repayment period for a small fee.

The Group's policy in relation to suppliers is to pay them within credit terms specified, provided that the supplier is also complying with all relevant terms and conditions.

#### **d) Community and Environment**

Zilch is committed to environmental sustainability and recognises the direct impact of our business. We have implemented policies to increase Company's energy efficiency.

From an environmental perspective, plastic that the traditional credit cards are made of may end up in landfills, as cards expire. Zilch issues a digital card to the customer, eliminating both paper and plastic from the registration process.

Zilch operates a hybrid working week for employees, reducing the need for travel, and therefore reducing carbon footprint.

#### **e) Maintaining a Reputation for High Standards of Business Conduct**

The Board is invested in ensuring that high standards of business conduct are embedded throughout all levels of the organisation. Zilch is regulated by the FCA and operates in a rapidly evolving regulatory environment. Our lending products must comply with UK regulations applicable to customer lending transactions.

To support the pace of the growth at Zilch, we have invested heavily in our Risk and Compliance capability throughout the year. We recognise the reliance on our systems, third party relationships and the critical need to build our controls infrastructure to manage this. Zilch ensures appropriate risk assessments and compliance audits are carried out.

## ZILCH TECHNOLOGY LIMITED

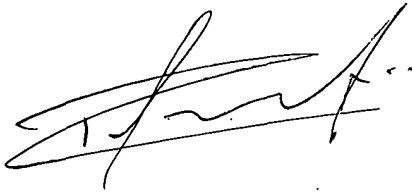
### Strategic Report (continued)

Zilch has a code of conduct and policies addressing areas of focus including conflicts of interest, anti-bribery and corruption policy and anti-money laundering. All employees adhere to these policies and undergo annual training.

**f) Acting Fairly Among Members**

Zilch recognises the importance of acting fairly among its stakeholders and considers it whenever a decision is being made. Zilch will continue to maintain good relationships with important groups such as suppliers, customers, stakeholders and employees which is central to promoting the success of the Company.

This report was approved by the board of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P M Belamant', written over a horizontal line.

P M Belamant

Date 11/04/2023



# ZILCH TECHNOLOGY LIMITED

## DIRECTORS' REPORT

### Group Directors' report for the year ended 31 March 2022

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2022.

#### Directors

The names of all persons who were Directors during the year and up to the date of signing are:

P M Belamant

S Belamant (appointed 20 October 2021)

P Chernyshov (appointed 20 October 2021)

S O'Connor (appointed 28 June 2022)

#### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing 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 International Financial Reporting Standards (IFRS). 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 Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing those 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;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

# ZILCH TECHNOLOGY LIMITED

## DIRECTORS' REPORT (Continued)

### Director confirmations

Each of the Directors in office at the date the Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

### Result and Dividends

The statement of comprehensive income is set out on page 12 and shows the loss for the period. There were no dividends paid in the current or previous financial year.

### Research and Development

During the 2022 financial year the Company completed the launch of the USA. This drove the development of the platform to allow it to be configured for use in multiple geographies, and allowing for integration across multiple different infrastructure providers simultaneously. Further development of microservices platforms completed during the year will provide support for the Company strategy as the business continues to scale quickly.

### Matters covered in the Strategic report

As permitted by s.414c of Companies Act 2006, the directors have elected to disclose information required to be in the Directors' report, in the Strategic report. For future developments refer to the Strategic report.

### Events after the balance sheet date

Events occurring after the reporting period are summarised below and are all considered to be non-adjusting events.

Between April 2022 and March 2023:

- A further circa 14,000 equity-settled share options were granted to Group employees under the scheme detailed in Note 26.
- A further circa 3,000 cash-settled awards were granted under the notional bonus payment scheme as detailed in Note 26, covering staff based in the UK, US and Poland.
- A further circa 1,000 warrants were awarded under warrant instrument agreements as detailed in Note 28.

Other than those identified there are no other events after the reporting period.

### Auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Grant Thornton as auditor of the Group.

This report was approved by the board of Directors and signed on its behalf by:



P M Belamant

Date: 11/04/2025

## **Independent Auditor's Report to the Members of Zilch Technology Limited and its subsidiaries**

### **Opinion**

We have audited the financial statements of Zilch Technology Limited and its subsidiaries (the "Group"), which comprise the Consolidated Statement of Profit or Loss and Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows for the year ended 31 March 2022, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International accounting standards, including International Financial Reporting Standards (IFRS).

In our opinion, the Group's financial statements:

- give a true and fair view in accordance with IFRS of the financial position of the Group and the Company as at 31 March 2022 and of the Group financial performance and cash flows for the year then ended; and
- have been properly 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 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of 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 the date 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

### **Other information**

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Directors' Report and the Strategic Report. The directors are responsible for the other information. 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 in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

## Independent Auditor's Report to the Members of Zilch Technology Limited and its subsidiaries

### Opinions on other matters prescribed by the Companies Act 2006 (continued)

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in respect of the following matters where 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 and the part of the directors' remuneration report to be audited 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 management and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS as adopted by the European Union, and for such internal control as directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group and 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 management either intends to liquidate the Group or company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

### Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 their 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 an auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with Data Privacy laws and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax

## Independent Auditor's Report to the Members of Zilch Technology Limited and its subsidiaries

### Responsibilities of the auditor for the audit of the financial statements (continued)

*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)*

legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statement.

The group engagement team shared the risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

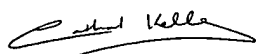
In response to these principal risks, our audit procedures included but were not limited to:

- enquiries of management, board, and legal functions on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Group's regulatory and legal correspondence and review of minutes of board meetings during the year to corroborate inquiries made;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing
- challenging assumptions and judgements made by management in their significant accounting estimates, including share options, client receivables, allowance for credit losses, accounting for taxes and other provisions.
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

### The purpose of our audit work and to whom we owe our responsibilities

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.



Cathal Kelly (Senior Statutory Auditor)

For and on behalf of

### Grant Thornton

Chartered Accountants & Statutory Auditors

Dublin

Ireland

11 April 2023

# ZILCH TECHNOLOGY LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

		2022 £'000	2021 £'000
<b>Continuing operations</b>	Note		
Revenue	5	10,967	733
Cost of sales		(11,358)	(690)
<b>Gross (loss) / profit</b>		<b>(391)</b>	<b>43</b>
Administrative expenses	6	(68,910)	(7,138)
<b>Operating loss</b>		<b>(69,301)</b>	<b>(7,095)</b>
Share-based payment expense	26	(7,631)	(405)
Other gains and losses	9	(750)	(751)
Finance costs	10	(1,670)	(110)
<b>Loss before taxation</b>		<b>(79,352)</b>	<b>(8,361)</b>
Corporation tax	11	1,068	557
<b>Loss after taxation</b>		<b>(78,284)</b>	<b>(7,804)</b>
<b>Total comprehensive loss for the year</b>		<b>(78,284)</b>	<b>(7,804)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent		<b>(78,284)</b>	<b>(7,804)</b>
<b>Other comprehensive income</b>			
Foreign exchange on translation		(61)	-
<b>Total comprehensive income for the year, net of tax attributable to:</b>			
Owners of the parent		<b>(78,345)</b>	-

The notes on pages 19 to 55 are an integral part of these financial statements.

# ZILCH TECHNOLOGY LIMITED

Registered number: 11488502

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	523	152
Right-of-use assets	13	2,081	-
Other intangible assets	15	3,621	453
<b>Total non-current assets</b>		<b>6,225</b>	<b>605</b>
<b>Current assets</b>			
Trade and other receivables	17	44,634	4,645
Cash and cash equivalents	18	100,505	28,962
Current tax assets		1,626	557
<b>Total current assets</b>		<b>146,765</b>	<b>34,164</b>
<b>Total assets</b>		<b>152,990</b>	<b>34,769</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	24	1	1
Share premium	25	195,497	17,263
Foreign currency translation reserve		(61)	-
Share-based payments reserve	26	6,153	331
Advanced subscription reserve	27	-	16,142
Retained earnings	30	(89,412)	(11,128)
<b>Equity attributable to owners of the parent</b>		<b>112,178</b>	<b>22,609</b>
<b>Total equity</b>		<b>112,178</b>	<b>22,609</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Other financial liabilities	22	18,991	74
<b>Total non-current liabilities</b>		<b>18,991</b>	<b>74</b>
<b>Current liabilities</b>			
Trade and other payables	19	4,502	1,335
Other financial liabilities	21	17,319	10,751
<b>Total current liabilities</b>		<b>21,821</b>	<b>12,086</b>
<b>Total equity and liabilities</b>		<b>152,990</b>	<b>34,769</b>

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



P M Belamant

Date: 11/04/2023

The notes on pages 19 to 55 are an integral part of these financial statements.

# ZILCH TECHNOLOGY LIMITED

Registered number: 11488502

## COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	483	152
Right-of-use assets	13	2,081	-
Other intangible assets	15	1,514	453
Investment in subsidiary	12	2,287	-
<b>Total non-current assets</b>		<b>6,365</b>	<b>605</b>
<b>Current assets</b>			
Trade and other receivables	17	33,304	4,645
Cash and cash equivalents	18	99,380	18,962
Current tax assets		1,626	557
<b>Total current assets</b>		<b>134,310</b>	<b>24,164</b>
<b>Total assets</b>		<b>140,675</b>	<b>24,769</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	24	1	1
Share premium	25	195,497	17,263
Share-based payments reserve	26	6,153	331
Advanced subscription reserve	27	-	16,142
Retained earnings brought forward	30	(10,377)	(3,324)
Profit / (loss) for the year	30	(74,398)	(7,053)
<b>Total equity</b>		<b>116,876</b>	<b>23,360</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Other financial liabilities	22	2,315	74
<b>Total non-current liabilities</b>		<b>2,315</b>	<b>74</b>
<b>Current liabilities</b>			
Trade and other payables	19	4,127	1,335
Other financial liabilities	21	17,357	-
<b>Total current liabilities</b>		<b>21,484</b>	<b>1,335</b>
<b>Total equity and liabilities</b>		<b>140,675</b>	<b>24,769</b>

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



P M Belamant

Date: 11/04/2023

The notes on pages 19 to 55 are an integral part of these financial statements.



# ZILCH TECHNOLOGY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share Capital	Share premium	Share- based payment reserve	Advanced subscriptions reserve	Foreign Exchange reserve	Profit and loss	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2021</b>	<b>1</b>	<b>17,263</b>	<b>331</b>	<b>16,142</b>	<b>-</b>	<b>(11,128)</b>	<b>22,609</b>
Shares issued	-	178,234	-	-	-	-	178,234
Employee share-based compensation	-	-	5,822	-	-	-	5,822
Advanced subscriptions exercised	-	-	-	(16,142)	-	-	(16,142)
<b>Transactions with owners</b>	<b>-</b>	<b>178,234</b>	<b>5,822</b>	<b>(16,142)</b>	<b>-</b>	<b>-</b>	<b>167,914</b>
Loss for the year	-	-	-	-	-	(78,284)	(78,284)
Other Comprehensive Income	-	-	-	-	(61)	-	(61)
Total Comprehensive Income	-	-	-	-	(61)	(78,284)	(78,345)
<b>At 31 March 2022</b>	<b>1</b>	<b>195,497</b>	<b>6,153</b>	<b>-</b>	<b>(61)</b>	<b>(89,412)</b>	<b>112,178</b>

	Share Capital	Share premium	Share- based payment reserve	Advanced subscriptions reserve	Profit and loss	Total equity
		£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,324)</b>	<b>(3,323)</b>
Shares issued	-	17,263	-	-	-	17,263
Employee share-based compensation	-	-	331	-	-	331
Advanced subscriptions exercised	-	-	-	16,142	-	16,142
<b>Transactions with owners</b>	<b>-</b>	<b>17,263</b>	<b>331</b>	<b>16,142</b>	<b>-</b>	<b>33,736</b>
Loss for the year	-	-	-	-	(7,804)	(7,804)
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	-	(7,804)	(7,804)
<b>At 31 March 2021</b>	<b>1</b>	<b>17,263</b>	<b>331</b>	<b>16,142</b>	<b>(11,128)</b>	<b>22,609</b>

The notes on pages 19 to 55 are an integral part of these financial statements.

## ZILCH TECHNOLOGY LIMITED

### COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share Capital	Share premium	Share- based payment reserve	Advanced subscription s reserve	Profit and loss	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2021</b>	<b>1</b>	<b>17,263</b>	<b>331</b>	<b>16,142</b>	<b>(10,377)</b>	<b>23,360</b>
Shares issued	-	178,234	-	-	-	178,234
Employee share-based compensation	-	-	5,822	-	-	5,822
Advanced subscriptions exercised	-	-	-	(16,142)	-	(16,142)
Transaction costs deducted from equity	-	-	-	-	-	-
<b>Transactions with owners</b>	<b>-</b>	<b>178,234</b>	<b>5,822</b>	<b>(16,142)</b>	<b>-</b>	<b>167,914</b>
Loss for the year	-	-	-	-	(74,398)	(74,398)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(74,398)</b>	<b>(74,398)</b>
<b>At 31 March 2022</b>	<b>1</b>	<b>195,497</b>	<b>6,153</b>	<b>-</b>	<b>(84,775)</b>	<b>116,876</b>

	Share Capital	Share premium	Share- based payment reserve	Advanced subscriptions reserve	Profit and loss	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,324)</b>	<b>(3,323)</b>
Shares issued	-	17,263	-	-	-	17,263
Employee share-based compensation	-	-	331	-	-	331
Advanced subscriptions exercised	-	-	-	16,142	-	16,142
<b>Transactions with owners</b>	<b>-</b>	<b>17,263</b>	<b>331</b>	<b>16,142</b>	<b>-</b>	<b>33,736</b>
Loss for the year	-	-	-	-	(7,053)	(7,053)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,053)</b>	<b>(7,053)</b>
<b>At 31 March 2021</b>	<b>1</b>	<b>17,263</b>	<b>331</b>	<b>16,142</b>	<b>(10,377)</b>	<b>23,360</b>

The notes on pages 19 to 55 are an integral part of these financial statements.

# ZILCH TECHNOLOGY LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

		Group 2022 £'000	Group 2021 £'000
	Note		
<b>Cash flows from operating activities</b>			
Loss for the financial year		(78,284)	(7,804)
Adjustments for:			
Interest payable		149	110
(Increase) in trade and other receivables		(302)	(1,013)
Decrease / (Increase) in trade and other payables		4,095	(507)
(Increase) in other receivables		(35,244)	(3,318)
Decrease in other financial liabilities		14,683	-
Depreciation and amortisation	14	1,229	75
Debt issue costs		859	-
Income tax credit	11	(1,069)	(557)
Income taxes received		-	241
Share-based payment expense	26	7,632	405
Other gains and losses - convertible loan notes		750	751
<b>Net cash used in operating activities</b>		<b>(85,502)</b>	<b>(11,617)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	14	(1,179)	(443)
Purchase of tangible assets	14	(508)	(151)
Acquisition of subsidiary undertaking (net of cash)		155	-
<b>Net cash used in investing activities</b>		<b>(1,532)</b>	<b>(594)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		141,265	17,263
Proceeds from advanced subscriptions	27	-	16,142
Interest paid		(810)	(110)
Loans advanced		20,533	-
Capital raising costs		(1,451)	-
Repayment of loans		-	(2,587)
Repayment of lease liabilities	21	(897)	-
Issue of convertible loan notes		-	10,000
<b>Net cash generated from financing activities</b>		<b>158,639</b>	<b>40,708</b>
<b>Net increase in cash and cash equivalents</b>		<b>71,605</b>	<b>28,497</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>28,962</b>	<b>465</b>
<b>Foreign exchange</b>		<b>(61)</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>100,505</b>	<b>28,962</b>

The notes on pages 19 to 55 are an integral part of these financial statements.

# ZILCH TECHNOLOGY LIMITED

## COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Note	Company 2022 £'000	Company 2021 £'000
<b>Cash flows from operating activities</b>			
<b>Loss for the financial year</b>		<b>(74,398)</b>	<b>(7,053)</b>
<b>Adjustments for:</b>			
Interest payable		-	110
Decrease/ (Increase) in trade and other receivables		(7,846)	(4,331)
Increase/(Decrease) in trade and other payables		17,506	(507)
Depreciation and amortisation	14	1,152	75
Income tax credit	11	(1,069)	(557)
Income taxes received		-	241
Share-based payment expense	26	7,632	405
<b>Net cash used in operating activities</b>		<b>(57,023)</b>	<b>(11,617)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	14	(1,178)	(443)
Purchase of tangible assets	14	(454)	(151)
Acquisition of subsidiary undertaking (net of cash)		155	-
<b>Net cash used in investing activities</b>		<b>(1,477)</b>	<b>(594)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		141,265	17,263
Proceeds from advanced subscriptions		-	16,142
Interest paid		-	(110)
Capital Raising costs		(1,451)	-
Repayment of lease liabilities	21	(897)	-
Loans advanced		-	(2,587)
<b>Net cash generated from in financing activities</b>		<b>138,917</b>	<b>30,708</b>
<b>Net increase in cash and cash equivalents</b>		<b>80,418</b>	<b>18,497</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>18,962</b>	<b>465</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>99,380</b>	<b>18,962</b>

The notes on pages 19 to 55 are an integral part of these financial statements.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements

For the year ended 31 March 2022

### 1 General Information

The Company is a private company, limited by shares incorporated in the United Kingdom and registered in England and Wales, registered number 11488502. The address of the registered office is 123 Buckingham Palace Road, London, England, SW1W 9SH.

#### Nature of the entity's operations and principal activities

The nature of the Company's operations and principal activity was that of providing retail consumers the ability to split the cost of purchases (Pay-in-4) or earn rewards on debit purchases (Pay-in-1), both online or in store, via its Over-The-Top ("OTT") model, leveraging existing card rail infrastructure and enabling ubiquitous acceptance across some 37 million merchants worldwide.

These financial statements are presented in sterling (£), the Group and Company's functional currency, and have been rounded to the nearest thousand £'000, unless indicated to the contrary.

### 2 Accounting policies

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

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including standards and interpretations issued by the International Accounting Standards Board and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except that as disclosed in the accounting policies below, including financial assets and liabilities measured at fair value through profit and loss (FVTPL). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The company has taken advantage of the following disclosure exemption in preparing the financial statements, as permitted by FRS 102:

- the requirements of Section 408 Non-publication of a company Profit and Loss

The year ended 31 March 2021 was the first year that consolidated financial statements have been prepared for the Group. In November 2020, the Company acquired 100% of the shareholding of Zilch Finance 1 Ltd ("ZF1") on incorporation which has been consolidated in the 2021 Group financial statements. In July 2021, the Company acquired 100% of the shareholding of Nepfin (now Zilch USA Inc.) on incorporation which has been consolidated in the 2022 Group financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements, as detailed in Note 3. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

# **ZILCH TECHNOLOGY LIMITED**

## **Notes to the financial statements (continued)**

For the year ended 31 March 2022

### **2 Accounting policies (continued)**

#### **Going concern**

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will continue to meet its liabilities as they fall due. The Directors have reviewed the Group's business plan, including income statement and cash flow forecasts up to March 2025, funding and key risks, and considered its current loss-making position. The business plan reflects the current uncertain economic conditions resulting from the change in the capital markets environment and the cost-of-living crisis. Having undertaken this assessment the Directors have a reasonable expectation that the Company and Group have sufficient resources to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and the Board considers it appropriate to prepare the financial statements on a going concern basis.

#### **Business combination accounting policy**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. A subsidiary is an entity where the Company has control over that investee. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

The results of subsidiary undertakings acquired or disposed of during the financial period are included from, or up to, the effective date of acquisition or disposal. Uniform accounting policies have been adopted across the Group.

The consolidated financial statements present the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

#### **New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the annual reporting period commencing 1 April 2021:

- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Revised Conceptual Framework for financial Reporting.

The amendments listed above have not had any impact on the amounts recognised in prior periods and do not affect the current period.

#### **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

#### Statement of Cash Flows

The Statement of Cash Flows is reported using the indirect method. The statement is divided into payments from operating activities, investing activities and financing activities. Operating activities stems mainly from revenue-producing activities of the entity. Operating cash flows include cash received from customers and cash paid to suppliers and employees. Investing activities are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents. Financing activities are activities that alter the equity capital and borrowing structure of the entity.

#### Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of VAT and trade discounts. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenues are recognised when identified performance obligations have been fulfilled in accordance with IFRS 15 and can be categorised as follows:

##### *Commission income from merchants ("Affiliate" revenue)*

Affiliate revenue is marketing fees paid by merchants in exchange for successful checkout by customers introduced by the Company. Affiliates are accessed either through an indirect agreement (provided via an affiliate network) or a direct agreement with the merchant. The performance obligation is satisfied at the time of check out by the end-consumer. The Company recognises revenue when it has been approved by the affiliate on a monthly basis. For any pending commissions not yet approved revenue is estimated using historic decline rates.

##### *Commission income from consumers ("Anywhere" fees)*

Anywhere fees are paid directly by the customer on checkout where they have purchased from a merchant which does not have an indirect (provided via an affiliate network) or a direct agreement with the Company. The performance obligation is satisfied when a customer makes a purchase, and any loan is executed. Revenue is recognised in the transaction month.

##### *Interchange revenue*

Interchange revenue related to fees paid between issuing and acquiring banks for the acceptance of card-based transactions. Interchange is paid to the company by the relevant card scheme. The Company earns interchange revenue at a percentage of total settlements. The performance obligation is satisfied when a customer makes a purchase (either Pay-in-4 or Pay-in-1).

##### *Advertising revenue*

Advertising revenue relates to marketing services provided to certain merchants and is invoiced monthly. Advertising revenue is recognised over the period of the service contract with the merchant.

The Group applies the practical expedient in IFRS 15.121 (i.e., non-disclosure of remaining performance obligations as per IFRS 15.120) on the basis that all performance obligations are expected to be satisfied within a contract period of less than 1 year.

All consideration from contracts with customers is included in the transaction price. There is no non-cash consideration or adjustment for the effects of the time value of money given there are no long-term customer contracts.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

#### *Returns and reversals*

Every affiliate has a different returns policy, in most instances up to a maximum of 180 days. Interchange revenue is refundable upon a customer return and notification by the merchant. Anywhere fees for which there is a subsequent return are non-refundable.

Returns are provided for based on historic return rates. At the period end, other receivables in respect of consumer loans are credited and other payables are credited, representing amounts due back from the merchants via the Merchant Issuer.

#### **Cost of Sales**

Cost of Sales represent the direct cost of issuing and processing a transaction and acquiring the payment from the customer.

#### **Customer Acquisition Costs**

Customer Acquisition Costs include the cost of acquiring and onboarding new customers, provision for rewards related to customer referrals and loan write offs attributable to new customers who have defaulted.

#### **Finance costs**

Finance costs represent bank charges and interest payable on other liabilities recognised using the effective interest rate method. This is presented net of minimal bank interest received.

#### **Taxation**

Income taxes consist of current tax and deferred tax. Income taxes are reported directly in the income statement except when the underlying transaction is reported directly against equity or other comprehensive income, in which case also the accompanying tax is reported in equity or other comprehensive income.

Deferred tax is reported according to the balance sheet method for all temporary differences between an asset's or a liability's tax base and its carrying amount in the balance sheet. Deferred tax assets are reported for non-utilised tax relief to the extent it is probable that the relief will be able to be set off against future taxable surpluses. Deferred taxes are estimated according to the tax rate that is expected to apply at the time of taxation.

#### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Computer & office equipment	3 years
Capitalised software	3 years



# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Any impairment identified is charged in the statement of profit or loss and other comprehensive income.

#### **Leases**

The Group assesses the contract at inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at 31 March 2022 and 2021, and 1 April 2020, the Group is a lessee in its lease arrangements, and is not a lessor.

The Group applies a single recognition and measurement approach for all lessee leases, except for the short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as leased assets, when new, with a value of five thousand pounds or less). The Group recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying assets are available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset, otherwise the right-of-use asset is depreciated over the duration of the lease agreement. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in the consolidated statement of financial position alongside property and equipment, and periodically reviewed for impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the rate implicit in the lease if it is readily determinable. However, if the rate implicit in the lease is not readily determinable, the Group uses Bank of England borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or change of lease term (payments depending on interest or rate, or assessment of an option to purchase the underlying asset).

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has elected this practical expedient and will not separate lease and non-lease components.

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### **Intangible assets**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are amortised on a straight-line basis over their useful lives. The useful lives of intangible assets are as follows:

IT Build development expenditure 5 years

IT Build development expenditure capitalised relates to a high-performance credit granting and payment processing platform integrated with third party systems. A useful life of 5 years is based on expert knowledge provided by the product development team. Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets capitalised in respect of Domain names are held at cost and reviewed annually for impairment.

#### **License**

Licenses are assessed for impairment annually or when there are indicators of impairment, and any impairment will be charged to the statement of profit or loss. Licenses have indefinite useful lives.

#### **Goodwill**

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets acquired. Goodwill is assessed for impairment annually or when there are indicators of impairment, and any impairment will be charged to the statement of profit or loss. Goodwill has an indefinite useful life.

#### **Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

# **ZILCH TECHNOLOGY LIMITED**

## **Notes to the financial statements (continued)**

For the year ended 31 March 2022

### **2 Accounting policies (continued)**

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. This definition is also used for the statement of cash flows.

#### **Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### **Financial assets**

Financial assets are subsequently classified into the following specified categories:

- financial assets at fair value through profit or loss, including held for trading; or
- amortised cost.

The classification depends on the nature and purpose of the financial asset (i.e., the Company's business model for managing the financial assets and the contractual terms of the cash flows) and is determined at the time of initial recognition.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not held at amortised cost are held at fair value through profit or loss.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

#### *Trade and other receivables*

Trade receivables, which generally have 30-day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Specific provision for impairment is made through profit or loss when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Consumer loan receivables in respect of Pay-in-4 transactions are receivable in instalments over a period of 6 weeks from the transaction date. The Company provides credit to the consumers over time but settles with the merchant at the point of sale. Zilch collects payment from consumers via a Merchant Acquirer and therefore takes on the settlement risk on behalf of the merchant. Consumer loan receivables are recognised and carried at the lower of the transaction purchase amount less any instalments paid, and the recoverable amount, taking into account factors such as financial difficulty and fraud. General provision for impairment of consumer loan receivables is determined using the simplified approach for the recognition of expected credit losses in accordance with IFRS 9 as set out below.

#### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on trade receivables and consumer loan receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses ("ECL") for trade receivables and consumer loan receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms of the receivable.

The amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade and consumer loan receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the receivable will not be collected the gross carrying value of the asset is written off against associated provision.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### **Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit and loss ("FVTPL"). However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Trade and other payables*

Short term payables are measured at the transaction price. Other financial liabilities are measured at fair value or subsequently at amortised cost using the effective interest method as detailed below.

#### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The Group has designated to measure convertible loan note instruments as financial liabilities at FVTPL under the simplified approach permitted by IFRS 9, Financial instruments. As the instruments contain embedded derivatives, they have been designated as at FVTPL on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair through profit or loss are expensed as incurred.

#### *Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### *Warrant awards*

Warrant awards issued to capital introducers, entitling the holder a right to acquire a fixed number of shares in the Company in the future for a fixed price upon certain trigger events, are classified as equity instruments where the likelihood of a trigger event occurring is probable. Such warrant awards are measured at the future subscription price upon recognition and are not subsequently remeasured.

#### *Advanced subscriptions*

Cash received as consideration under advanced subscription agreements is recognised within equity where there is an irrevocable commitment under the terms of the agreement to acquire shares in the Company in the future.

#### Share-based payments

The Group engages in equity-settled and cash-settled share-based payments transactions in respect of services received from employees.

#### *Equity-settled awards*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date in line with IFRS 2. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding credit to equity.

#### *Cash-settled awards*

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability in line with IFRS 2. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency of Sterling by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

#### Pensions

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

The contributions are recognised as an expense in profit or loss 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.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 3 Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. As at 31 March 2022 the Group had the following critical accounting estimates and assumptions:

#### (i) *Provision for credit losses in respect of consumer loan receivables*

Management estimates the required impairment of consumer loan receivables at the balance sheet date applying an expected credit loss model using a provision matrix. Management use the 'simplified' approach permitted under IFRS 9, which allows entities to recognise lifetime expected losses on assets without the need to identify significant increases in credit risk.

Using data from inception (1 January 2019) to the balance sheet date, management have calculated historical loss rates for instalments. Total credit losses comprise bad debts, fraud and "forced churn" debts, which refers to new customers who fail payments and are not allowed back on to the Group platform.



## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 3 Critical accounting estimates and judgements (continued)

##### *(i) Useful life of intangible IT build and development costs*

Management have estimated that the useful economic life of capitalised IT build and development costs in respect of the Zilch platform to be 5 years and amortisation has been applied on this basis.

##### *(ii) Employee share option and award scheme vesting periods based on the probability and timeline of conditional exit events occurring, such as a public listing or sale*

Management have estimated the probability of exit events relevant to share-based payment transactions based on their business plans and financial forecasts.

The fair value of the equity instruments is calculated using the Black-Scholes model. This requires estimation of various inputs to the model, including the expected volatility of share price, risk-free interest rate and time to expiration.

At each year end, the Group assesses its estimates of the number of shares and awards that are expected to vest, and revises if deemed necessary. It recognises the impact in the statement of profit or loss and a corresponding adjustment to equity.

##### *(iii) Fair value measurements*

In estimating the fair value of an asset, liability or equity instrument, management uses market-observable data to the extent it is available. For valuing equity-settled share-based payment transactions, management have used the Black-Scholes model and supportable inputs. Refer to Note 26 for further details.

##### *(iv) Impairment requirements for goodwill and other intangible assets*

Goodwill and other intangible assets with indefinite useful life are tested for impairment annually, in accordance with the accounting standard IAS 36. If the recoverable value is lower than the carrying amount, the asset is written down.

##### *(v) Allocation of purchase price for acquired businesses*

The cost of business combinations is comprised of consideration transferred to the previous owners as payment for the net assets of the company. In the calculation, the fair value of identifiable net assets and liabilities is determined.

The purchase price allocations performed in the current period are disclosed in Note 29.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 4 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk and foreign currency exchange risk. To manage these risks, management operate a risk management programme focused on monitoring market trends in the fintech industry, debt collection procedures for consumer loans and use of reputable third party acquiring and issuing facilities to help manage cash flow.

#### *Capital risk management*

The capital of the Group comprises the called-up share capital in relation to ordinary shares and retained earnings. The Group's capital structure is governed by a shareholder agreement. The Group's objective when managing capital is to ensure the Group continues as a going concern and is able to meet its liabilities as and when they fall due.

#### *Credit risk management*

Credit risk is the risk of loss to the group from the failure of customers to honour their obligations either due to their inability to pay, or where a transaction was initiated fraudulently (by a 1st or 3rd party). The controls and governance are set by policies covering: "Credit Risk" and "Fraud".

We use a range of leading security tools and controls to identify, protect, and control access to our systems for both our customers and staff. We use multi factor authentication both internally and for customers and use a wide range of fraud tools including enhanced IDV to secure our customers' account. Whilst we work with leading providers of system protection, and we remain alert to all new developments, our business remains sensitive to the ongoing effectiveness of those controls against a rapidly evolving set of threats.

The Group provides an unsecured credit account to customers and our core credit product is Pay in 4, a 42-day loan, which has controls over how the product can be used and where it can be used. We have significant amount of mitigation controls in place over the individual credit limit available to each customer. We are constantly monitoring customers' performance by cohort and can adapt risk controls but a significant weakening in UK economy would impact credit performance. There are no profit or loss charges arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss (FVTPL).

#### *Interest rate risk*

By the end of 2021, and entering 2022, GDP in the UK had finally recovered to levels seen prior to COVID in early 2020. This has also been reflected in UK unemployment rates which have also reduced to levels below pre-COVID having risen over 1% due to COVID. However, global economic conditions remain fragile particularly given the invasion of Ukraine and the impact this has had to financial markets.

Continued volatility in interest rates and potentially inflation may adversely impact Group's customers' spending levels and ability and willingness to pay outstanding amounts owed to the Group. Higher interest rates may lead to higher payment obligations on Group's future credit products, or to their lenders under mortgage, credit card, and other loans. Therefore, higher interest rates may lead to increased delinquencies, charge-offs, and allowances for loans and interest receivable, which could have an adverse effect on Group's operating results.

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 4 Financial risk management (continued)

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs from interest bearing financial liabilities. The Group is exposed to interest rate risk in relation to the Goldman Sachs facility described in Note 22.

Interest rate sensitivity analysis

The effect on the Profit and Loss of a 100-basis point movement on the £20.5 million balance (see note 22) is as follows:

	<b>Increase</b>	<b>Decrease</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit and Loss charge</b>	205	(205)

#### 5 Revenue

An analysis of revenue by source is as follows.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interchange revenue	4,712	287
Merchant revenue	1,995	267
Anywhere revenue	4,204	171
Other revenue	38	1
Advertising revenue	18	6
<b>Total</b>	<b>10,967</b>	<b>733</b>

All revenue arose within the United Kingdom in the current and prior period.

The nature of the Company's and Group's business, being the provision of short-term credit and consumer loan financing services, is such that the requirements of disclosure under IFRS 15 contract balances are not applicable.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 6 Loss for the year

		2022	2021
	Note	£'000	£'000
Loss for the year is stated after charging:			
Net foreign exchange losses		43	5
Research and development - including relevant staff costs		3,204	1,180
Depreciation of property, plant and equipment	14	206	24
Depreciation of right-of-use assets	13	906	-
Amortisation of intangibles	15	116	51
Loss allowance on consumer loan receivables - expected lifetime credit losses and write-offs		26,239	1,473
Customer acquisition cost		10,615	721
Share based payment expense	26	7,631	405
Audit fees		168	51

### 7 Staff costs

Staff costs including Directors' remuneration were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	12,876	1,794
Social security costs	1,298	207
Defined contribution pension expenses	180	24
Share-based payment expense	7,631	405
<b>Total</b>	<b>21,985</b>	<b>2,430</b>

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

	2022	2021
	No.	No.
Product	70	17
Service	81	17
<b>Staff</b>	<b>151</b>	<b>34</b>
<b>Directors</b>	<b>2</b>	<b>1</b>

The increase in headcount reflects the continued investment in growth throughout the business.

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 8 Director and key management personnel remuneration

Key management personnel are persons responsible for planning, directing and controlling the operations of the Group. No benefits have accrued under defined contribution schemes in the period (2021: None). This represents the remuneration of the highest paid director.

	2022 £'000	2021 £'000
Wages and salaries	348	158
Share based payments	727	-
<b>Total</b>	<b>1,075</b>	<b>158</b>

#### 9 Other gains and losses

	2022 £'000	2021 £'000
Fair value loss on financial liabilities FVTPL – convertible loan notes	750	751

Convertible loan notes were issued by the Company's wholly owned subsidiary, ZF1, to investors during the year ended 31 March 2021. In April 2021, convertible loan notes totalling £10.7 million included within other financial liabilities at 31 March 2021, and a further fair value adjustment of £0.7 million was converted into 27,354 Ordinary £0.001 shares. Refer to Note 21 for further details.

#### 10 Finance Costs

	2022 £'000	2021 £'000
Interest expense on loans held at amortised cost	811	110
Debt issue costs	859	-
<b>Total</b>	<b>1,670</b>	<b>110</b>

Refer to Note 21 for details of other loans and related interest.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 11 Taxation

	2022 £'000	2021 £'000
<b>Corporation tax</b>		
Current tax	(1,068)	(557)
<b>Total</b>	<b>(1,068)</b>	<b>(557)</b>

The tax credit for the year can be reconciled to the loss before tax as follows:

	2022 £'000	2021 £'000
<b>Loss before tax on continuing operations</b>	<b>(79,352)</b>	<b>(8,361)</b>
<b>Loss on ordinary activities multiplied by the standard corporation tax in the UK of 19%</b>	<b>(15,077)</b>	<b>(1,589)</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,685	213
Capital allowances	(92)	(29)
Unrecognised deferred tax for carried forward tax losses	13,484	1,405
Research and development tax credit	(1,068)	(557)
<b>Total tax credit for the period</b>	<b>(1,068)</b>	<b>(557)</b>

### Factors that may affect future tax charges

In March 2021 the Chancellor announced an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. In October 2022 it was further announced that the increase will go ahead and therefore the corporation tax rate will increase to 25% from 1 April 2023, affecting companies with profits of £250,000 and over, whereas small companies with profits up to £50,000 will continue to pay corporation tax at 19%, with profits between these two figures being subject to a tapered rate.

### Tax losses

Unused tax losses at the period end date for which no deferred tax asset has been recognised total circa £71.9 million (2021: £7.6 million). Due to the start-up nature of the business, the timing and extent of future profits remains uncertain and cannot be reliably estimated at the balance sheet date.

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 12 Investments

On July 7, 2021, the Group completed the acquisition of a 100% ownership of Neptune Financial Inc. (now Zilch USA Inc.) as detailed in Note 29 Business Combinations.

##### Company

		Investment in subsidiary companies £'000
<b>Cost</b>		
Balance at 1 April 2021		1
Additions	Note 29	3,260
Impairment	Note 16	(972)
<b>At 31 March 2022</b>		<b>2,287</b>

##### Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Ownership %	Nature of business	Aggregate of share capital and reserves at 31 March 2022 £'000	Profit/(loss) for the year ended 31 March 2022 £'000
Zilch Finance 1 Ltd	100	Factoring and financial intermediation	1	(1,499)
Zilch USA Inc.	100	Provider of virtual credit	20,656	(1,461)

Zilch Finance 1 Ltd was incorporated on 26 November 2020 in England and Wales. The registered office address is 123 Buckingham Palace Road, London, England, SW1W 9SH.

Zilch USA Inc. (previously Neptune Financial Inc.) was incorporated on 7 November 2016 in California, USA. The registered office address is 78 SW 7th St 8th floor Miami, FL 33130.

In accordance with IFRS 10 Consolidated Financial Statements, the subsidiaries have been consolidated in the 2022 Group financial statements by combining the assets, liabilities, equity, income, expenses, and cash flows of the subsidiary with those of the parent and eliminating the cost of the investment. Transactions and balances with subsidiaries have been eliminated on consolidation.

**ZILCH TECHNOLOGY LIMITED**  
**Notes to the financial statements (continued)**  
For the year ended 31 March 2022

**12 Investments (continued)**

**Interest in other entities**

The Company has interest in a special purpose entity Zilch Finance 2 Limited ("ZF2"), wholly owned and managed by Wilmington Trust (London) Limited. ZF2 was incorporated on 30 June 2021 in England and Wales. The registered office address is 1 Kings Arms Yard, 3rd Floor, C/O Wilmington Trust Sp Services (London) Limited, London, England, EC2R 7AF.

ZF2 is the legal borrower of Goldman Sachs Asset Management loan facility used by the Group (see note 22 for further details). On 2 September 2021, the Company entered into the Receivables Sales and Purchase Agreement with ZF2. Under the terms of this agreement, the proceeds from the issue of the loan were used by ZF2 to have assigned to it the right, title and interest in a portfolio of unsecured consumer loans from the Company. The Receivables Sales and Purchase Agreement grants ZF2 the right to require the Company to repurchase any defaulted receivables past due and any voluntarily terminated receivables. Accordingly, substantially all the risks and rewards of the portfolio of consumer loans sold to ZF2 have been retained by the Company.

ZF2 does not meet the definition of the legal subsidiary of the Company. However, due to the nature of the transaction described above, it gives rise to the risks and rewards that are, in substance, no different than if it was a legal subsidiary of the Company. Its assets, liabilities, equity, income, expenses, and cash flows were consolidated with those of the Company and transactions and balances with this entity have been eliminated on consolidation.

**13 Lease right-of-use assets**

<b>Group and Company</b>	<b>Office Building £'000</b>
<b>Gross carrying amount</b>	
Balance at 1 April 2021	-
Additions	2,987
Disposals	-
Balance at 31 March 2022	2,987
<b>Depreciation and Impairment</b>	
Balance at 1 April 2021	-
Depreciation expense	(906)
Disposals	-
Balance at 31 March 2022	(906)
<b>Carrying amount</b>	
Balance at 1 April 2021	-
Balance at 31 March 2022	2,081



# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 14 Property and equipment

#### Group

	Office Equipment £'000	Computer Equipment £'000	Capitalised Software £'000	Total £'000
<b>Cost</b>				
Balance at 1 April 2021	2	183	-	185
Additions	15	492	-	507
Additions through business combination	2	-	157	159
Disposals	-	-	(157)	(157)
Balance 31 March 2022	19	675	-	694
<b>Accumulated depreciation and impairment</b>				
Balance at 1 April 2021	1	33	-	34
Depreciation expense	6	131	69	206
Disposals	-	-	(69)	(69)
Balance 31 March 2022	7	164	-	171
<b>Carrying amount</b>				
Balance 31 March 2022	12	511	-	523
Balance at 31 March 2021	1	151	-	152

Note that additions also include the fixed assets acquired on the acquisition of Neptune Financial.

#### Company

	Office Equipment £'000	Computer Equipment £'000	Capitalised Software £'000	Total £'000
<b>Cost</b>				
Balance at 1 April 2021	2	183	-	185
Additions	15	447	-	461
Balance 31 March 2022	17	630	-	646
<b>Accumulated depreciation and impairment</b>				
Balance at 1 April 2021	1	33	-	34
Depreciation expense	5	125	-	130
Balance 31 March 2022	6	158	-	164
<b>Carrying amount</b>				
Balance 31 March 2022	11	472	-	483
Balance at 31 March 2021	1	151	-	152

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 14 Property and equipment (continued)

Group and Company

	Office Equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2020	2	32	34
Additions	-	151	151
Balance 31 March 2021	2	183	185
<b>Accumulated depreciation and impairment</b>			
Balance at 1 April 2021	1	10	11
Depreciation expense	-	23	23
Balance 31 March 2022	1	33	34
<b>Carrying amount</b>			
Balance 31 March 2022	1	151	152
Balance at 31 March 2021	1	23	24

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 15 Intangible fixed assets

##### Group

	Domain name £'000	IT Build development £'000	License £'000	Goodwill £'000	Total £'000
<b>Cost</b>					
Balance at 1 April 2021	14	513	-	-	527
Additions	675	504	1,949	1,128	4,257
Balance at 31 March 2022	689	1,017	1,949	1,128	4,784
<b>Accumulated amortisation and impairment</b>					
Balance at 1 April 2021	-	74	-	-	74
Amortisation expense	-	116	-	-	116
Impairment	-	-	-	972	972
Balance at 31 March 2022	-	190	-	972	1,163
<b>Carrying amount</b>					
Balance 31 March 2022	689	826	1,949	156	3,621
Balance 31 March 2021	14	439	-	-	453

##### Company

	Domain name £'000	IT Build Development £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2021	14	513	527
Additions	674	504	1,178
Balance 31 March 2022	688	1,017	1,705
<b>Accumulated amortisation and impairment</b>			
Balance at 1 April 2021	-	74	74
Amortisation expense	-	116	116
Balance 31 March 2022	-	190	190
<b>Carrying amount</b>			
Balance 31 March 2022	688	826	1,514
Balance at 31 March 2021	14	439	453

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 15 Intangible fixed assets (continued)

##### Group and Company

	Domain name	IT Build Development	Total
	£'000	£'000	£'000
<b>Cost</b>			
Balance at 1 April 2020	14	70	84
Additions	-	443	443
Balance 31 March 2021	14	513	527
<b>Accumulated amortisation and impairment</b>			
Balance at 1 April 2020	-	23	23
Amortisation expense	-	51	51
Balance 31 March 2021	-	74	74
<b>Carrying amount</b>			
Balance 31 March 2021	14	439	453
Balance at 31 March 2020	14	47	61

#### 16 Goodwill

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets acquired.

The change in carrying value of goodwill in the period was as follows:

Goodwill	Company and Group £'000
Balance at April 1, 2021	-
Acquisitions completed during the year ended March 31, 2022	1,128
Impairment	(972)
Balance at March 31, 2022	156

Goodwill from the acquisition was of Nepfin is primarily attributable to the value of the assembled workforce. During the year, a senior member of management exited the business which resulted in an adjustment to the value of the goodwill associated with the acquisition.

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 17 Trade and other receivables

##### Group and Company

	Group 2022	Company 2022	Group and Company 2021
	£'000	£'000	£'000
Trade receivables	121	121	27
Consumer loan receivables	38,670	18,521	3,426
Other receivables	3,735	3,735	630
Prepayments	1,837	1,442	404
Accrued Income	271	271	158
Intercompany	-	9,214	-
<b>Total</b>	<b>44,634</b>	<b>33,304</b>	<b>4,645</b>

##### *Credit risk*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for consumer loan receivables. The following table details activity in the allowance for credit losses:

##### Group and Company

	2022	2021
	£'000	£'000
<b>Allowance at beginning of period</b>	<b>428</b>	<b>-</b>
Provision for credit losses	26,239	1,765
Charge offs	(12,901)	(1,337)
<b>Allowance at end of period</b>	<b>13,766</b>	<b>428</b>

Zilch maintains an allowance for credit losses at a level sufficient to absorb expected credit losses based on evaluating known and inherent risks in Group's loan portfolio. The allowance for credit losses is determined based on the current estimate of expected credit losses over the remaining contractual term using historical loss rates.

Zilch uses historical loss rates on credit loans to determine different loss patterns for different customer groups, New Customer (Forced Churn) and Returning Customer (Expected Credit Loss).

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 17 Trade and other receivables (continued)

Provisions for Expected Credit Losses and Forced Churn are charged off in accordance with Group's charge off policy, as the contractual principal becomes 180 days overdue. Fraud is charged off immediately i.e., as soon as the fraud has been detected.

##### *Provision for rewards utilisation*

Customers can earn up to 5% cashback in rewards on Pay-in-1 transactions. Zilch provides for the utilisation 60% of total rewards issued. In the year to 31 March 2022 £7.2 million of rewards were issued to customers and £4.4 million of rewards was spent by customers.

##### **Group and Company**

	2022 £'000	2021 £'000
Allowance at beginning of period	-	-
Provision for rewards	4,600	-
Rewards utilised	(4,363)	-
Allowance at end of period	237	-

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 18 Cash and cash equivalents

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Cash at bank	100,505	99,380	28,962	18,962
<b>Total Cash</b>	<b>100,505</b>	<b>99,380</b>	<b>28,962</b>	<b>18,962</b>

Cash and Cash Equivalents includes £10 million maintained in relation to the Goldman Sachs facility (see note 22).

#### 19 Trade and other payables

	Group	Company	Group and Company
	2022	2022	2021
	£'000	£'000	£'000
Trade payables	2,865	2,793	1,081
Social security and other taxes	722	721	233
Other payables	914	613	21
<b>Total</b>	<b>4,502</b>	<b>4,127</b>	<b>1,335</b>

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 20 Lease liabilities

##### Group and Company

	2022 £'000	2021 £'000
Current	1,685	-
Non-current	432	-
<b>Total</b>	<b>2,117</b>	<b>-</b>

Lease liabilities are included on the face of the statement of financial position in the other financial liabilities (current and non-current respectively).

##### Lease payments due

	Within 1 Year £'000	1-2 Years £'000	Total £'000
Lease Payments	1,710	433	2,143
Finance Charges	(25)	(1)	(26)
<b>Net Present Value</b>	<b>1,685</b>	<b>432</b>	<b>2,117</b>

#### 21 Other financial liabilities: Current

		Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
<b>Current</b>	<b>Note</b>				
Convertible loans – FVTPL		-	-	10,751	-
Provisions	16	14,002	14,002	-	-
Deferred consideration		979	979	-	-
Lease liability	20	1,685	1,685	-	-
Shares to be allocated and other		653	691	-	-
<b>Total</b>		<b>17,319</b>	<b>17,357</b>	<b>10,751</b>	<b>-</b>

##### Convertible loans

Convertible loan notes were issued by the Company's wholly owned subsidiary, ZF1, to potential investors during the year ended 31 March 2021 for cash consideration of £10 million. The cash was received into the subsidiary's bank account prior to the 31 March 2021 year-end and protected under trust deed. Under the terms of the convertible loan note agreements, the loan notes carry a coupon rate of 7.5%. The loan note holders were given the option to either convert the loan notes into ordinary shares in the Company based on the share price at the time of conversion or request repayment of their investment in instalments from 31 July 2021 onwards.



## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 21 Other financial liabilities: Current (continued)

##### Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £'000	Short-term borrowings £'000	Lease liabilities £'000	Total £'000
<b>1 April 2021</b>	-	-	-	-
<b>Cash-flows:</b>				
Recognition of right-of-use asset	-	-	2,987	2,987
Repayment	-	-	(897)	(897)
Interest	-	-	27	27
Proceeds	20,533	-	-	20,533
<b>31 March 2022</b>	<b>20,533</b>	<b>-</b>	<b>2,117</b>	<b>22,650</b>

	Long-term borrowings £'000	Short-term borrowings £'000	Lease liabilities £'000	Total £'000
<b>1 April 2020</b>	-	(2,587)	-	(2,587)
<b>Cash-flows:</b>				
Repayment	-	2,587	-	2,587
Proceeds	-	-	-	-
<b>31 March 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### Shares to be allocated

At the balance sheet date there were £0.8 million shares to be allocated where cash had been received for shares, but they were yet to be issued.

In April 2021, all convertible loan notes totalling £10 million were converted into 27,354 ordinary £0.001 shares in the Company.

The Group has elected under IFRS 9 to measure the convertible loan notes as financial liabilities at fair value through profit or loss (FVTPL). Following initial recognition at the transaction price, the fair value of the liabilities has been determined at the balance sheet date taking into consideration a market rate of interest.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 22 Other financial liabilities: Non-Current

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000
<b>Non-Current</b>			
Cash-settled share-based payment scheme liability (refer to note 26)	1,883	1,883	74
Debt facility	20,533	-	-
Capitalised debt issue costs	(3,857)	-	-
Lease liability	432	432	-
<b>Total</b>	<b>18,991</b>	<b>2,315</b>	<b>74</b>

Refer to Note 26 Share-based payments for further details.

#### Debt Facility and Equity investment

In July 2021 the Group obtained a commitment from Goldman Sachs Asset Management of £50 million for a flexible draw down facility with £75 million of follow-on funding to support the growth of the Zilch lending book. The facility is secured by a fixed and floating charge created in September 2021 over the assets of the parent Company. A separate entity, ZF2 (as described in note 12), is the legal borrower however the Group are in substance expected to utilise the facility to develop the Pay-in-4 service offering and ancillary products/services. Further to this, Goldman Sachs Asset Management also invested a further circa £7 million in equity. 10,218 shares were issued to settle the commitment fee of £4.3 million, which is included in the debt issues costs. £0.9 million was expensed in the year.

The facility contains certain covenants and restrictions, including certain financial maintenance covenants, and requires payment of a monthly unused commitment fee of 0.75% per annum on the undrawn balance available. The Group is also required to maintain a cash balance in aggregate of at least £10 million in order to continue to draw down against the facility, further should the Group balance in aggregate be less than £10 million for a period greater than 90 days, this would trigger an early amortization of the facility. Commitment fees for the financial year totalled £206,000. As at 31 March 2022 Zilch has drawn £20.5 million of a possible £50 million.

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 23 Financial assets and financial liabilities

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Financial assets measured at fair value through profit and loss (FVTPL)	100,505	99,380	28,962	18,962
Financial assets that are debt instruments measured at amortised cost	39,523	19,374	4,640	4,640
<b>Total</b>	<b>140,028</b>	<b>118,754</b>	<b>33,602</b>	<b>23,602</b>
<b>Financial liabilities</b>				
Financial liabilities measured at fair value through profit or loss (FVTPL)	1,883	1,883	10,825	74
Financial liabilities measured at amortised cost	3,820	3,747	1,190	1,190
<b>Total</b>	<b>5,704</b>	<b>5,630</b>	<b>12,015</b>	<b>1,264</b>

The Company applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted in an active market for identical assets or liabilities and the lowest priority to unobservable inputs.

**Level 1** – Unadjusted quoted for identical assets or liabilities in an active market that the Company has the ability to access at the measurement date.

In this category the Company includes Financial assets measured at fair value through profit or loss which comprise cash and cash equivalents.

**Level 2** – Quoted in the markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the assets or liabilities that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.

The Company currently does not hold assets or liabilities that would be classified as Level 2.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 23 Financial assets and financial liabilities (continued)

**Level 3** – Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable.

In this category the Company includes:

- Financial assets that are debt instruments measured at amortised cost which comprise consumer loan receivables, trade and other receivables.
- Financial liabilities measured at amortised cost which comprise trade and other payables and loans held at amortised cost.
- Financial liabilities measured at fair value through profit or loss which comprise convertible loan notes and cash-settled share-based payment liabilities.

The directors consider that the carrying values of these assets and liabilities are a reasonable approximation of fair values of these instruments.

### 24 Share capital

Authorised, allotted, called up and fully paid	2022 £	2021 £
<b>Balance at 1 April</b>		
521,159 Founder shares of £0.001 each (2021: 500,000 Founder shares of £0.001 each)	521	500
592,814 Ordinary shares of £0.001 each (2021: 332,420 Ordinary shares of £0.001 each)	593	332
<b>Total</b>	<b>1,114</b>	<b>832</b>
<b>Issued and fully paid:</b>	<b>2022 £</b>	<b>2021 £</b>
<b>At 1 April</b>	832	500
Issued during the year	282	332
<b>At 31 March</b>	<b>1,114</b>	<b>832</b>

The Company has two classes of shares, Founder shares and Ordinary shares. All shares carry one vote per share and have rights to receive dividends and to participate in a distribution of capital (including on winding up) subject to the provisions of the articles of association.

### 25 Share premium

	2022 £'000	2021 £'000
<b>Balance at 1 April</b>	17,263	-
Premium arising on issue of equity shares	179,685	17,263
Capital raising costs	(1,451)	-
<b>Total</b>	<b>195,497</b>	<b>17,263</b>

Share premium represents the credited difference in price between the nominal value of shares and the total subscription price of issued £0.001 Ordinary shares during the period.

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 26 Share-based payments

#### *Equity-settled share-based payments*

The Company operates a share option plan for founders and senior management. In accordance with the terms of the plan, employees are granted options to purchase ordinary shares in the Company for a fixed price over a vesting period ranging from immediately to 3 years from the grant date.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry, which is the tenth anniversary of the date of the grant. If the options remain unexercised after the tenth anniversary from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest. Some options have non-market performance conditions attached to them, including targets for sales lead generation, whilst others have only a continued service condition attached.

Awards were granted under the scheme with effective dates from August 2018 onwards for founding members and up to February 2021 for other option holders. The share-based payment expense in respect of awards granted in previous years has been accounted for in the 2021 financial statements on the basis that it is immaterial.

Equity-settled share-based payments are accounted for based on the fair value at award grant date with the requisite expense recognised over the vesting period of the award. The Black-Scholes option pricing model is used to determine the fair value of equity options granted under the plan.

Details of the share options outstanding during the year are as follows:

	2022	2022	2022	2021	2021	2021
	No.	Weighted average exercise price	Weighted average fair value at grant date	No.	Weighted average exercise price	Weighted average fair value at grant date
		£/share	£/share		£/share	£/share
<b>Outstanding at the beginning of the year</b>	57,897	15.93	29.00	0	n/a	n/a
Granted during the year	27,708	315.27	372.45	57,897	15.93	29.00
Cancelled during the year	460	420.46	131.92	0	n/a	n/a
<b>Exercisable at the end of the year</b>	85,145	111.59	127.72	0	15.93	29.00

# ZILCH TECHNOLOGY LIMITED

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 26 Share-based payments (continued)

The inputs into the Black Scholes model are as follows:

	2022
Expected volatility	45%
Expected life	36m
Risk-free rate	1%

Expected volatility was determined by management taking into consideration the historical volatility of the Company's share price, fintech industry market trends as well as the start-up nature of the business.

For share options outstanding at the year-end, the range of exercise prices is £0.001 - £1,259.75 and the range of grant date fair values is £48 - £1,259.75. The weighted average remaining contractual life at 31 March 2022 is 8 years and the weighted average remaining vesting period is 2 years.

The Group recognised a total charge of £5,821,000 in relation to this scheme in 2022 (2021: £331,000) in profit or loss with a corresponding credit to the Share-based payment reserve within equity.

#### *Cash-settled share-based payments*

The Group issues to certain employees notional share awards which entitle the holder to a cash bonus payment upon certain trigger events occurring in the future, including a sale, change in control or listing. A bonus cash payment, equal to the proceeds payable to a shareholder of the Company holding an equal number of shares, is payable following a trigger event to the holder if: a) performance targets are met to the satisfaction of the management team; and b) employees continue to be in full-time employment with the Company.

Based on management objectives and current forecasts, a trigger event is expected to occur and is deemed to be probable within 3 years from the 31 March 2022 year-end date. As such, the related expense for employee services has been spread straight line over a period of 4 years.

The Company issued 10,485 notional share awards to employees during the year ended 31 March 2022. The grant date fair value has been calculated at £420.46 and £1,259.75/share and the fair value at the year-end date has been calculated at £1,259.75. Both values are based on share prices paid by investors to acquire ordinary shares in the Company at corresponding periods.

For cash-settled transactions, the Company recognises a cost in profit or loss over the service period and a corresponding liability on the balance sheet, included within "Other financial liabilities". The liability is remeasured at each reporting date until settlement date for subsequent changes in fair value. On the basis that the settlement is not expected to take place for 3 years from the balance sheet date, the liability has been presented as a non-current liability.

The Group has recorded a liability of £1,883,000 at 31 March 2022 (2021: £74,000) in respect of this cash-settled share-based payment plan, which includes employer's national insurance contributions calculated at 13.8%. The Group has recorded total expenses of £1,809,000 in the period (2021: £74,000).

## **ZILCH TECHNOLOGY LIMITED**

### **Notes to the financial statements (continued)**

For the year ended 31 March 2022

#### **27 Advanced subscriptions**

During the previous year ended 31 March 2021, the Company received cash of £16,142,000 in respect of advanced subscriptions for £0.001 Ordinary shares in the Company. Under the terms of the advanced subscription agreements, there is an irrevocable commitment by the subscriber to acquire shares in the Company in the future based at either a fixed conversion price of £420.46 per share or at a variable price per share, subject to the terms of a "Qualifying Finance Round" as set out in the subscription agreement.

Cash received as consideration under advanced subscription agreements is considered to represent the fair value of the equity instrument and is credited to the Advanced subscriptions reserve within equity.

In the year ended 31 March 2022, in May 2021, all advanced subscriptions at 31 March 2021 were converted into Ordinary £0.001 shares in the Company.

#### **28 Warrants**

During the year ended 31 March 2022, 5,612 warrants were awarded to introducers of capital. Under the terms of the warrant instrument agreements, the warrants give the holders a right, but not an obligation, to subscribe to a fixed number of shares for a fixed price at a future date. During the year, 16,624 warrants were exercised for the consideration of £16.62.

The subscription price ranges from nominal value (£0.001) to £420.46, and is conditional upon a trigger event taking place, being a sale or listing. Based on management objectives and current forecasts, a trigger event is expected to occur and is deemed to be probable within 3 years from the 31 March 2022 year-end date.

The warrants are presented within equity on the basis that they are considered to meet the "fixed for fixed" equity classification criteria under IFRS 9. The fair value of each warrant is considered to be the nominal value, totaling £9 for all warrants, which is not tied to current market values.

## ZILCH TECHNOLOGY LIMITED

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 29 Business Combinations

On 6 July 2021, the Company completed the acquisition of 100% ownership of Nepfin, a commercial lending platform. The acquisition of Nepfin has provided Zilch with a solid framework to launch its product to the US market through the expertise of the US team, licensing, and regulatory capabilities.

The purchase consideration was comprised of £3,623 in cash to be paid out to Nepfin on the Completion Date and £3,560,368 to be satisfied by the issue of 7,754 Consideration Shares.

The acquisition meets the criteria to be accounted for as a business combination. This method requires, among other things, that assets acquired, and liabilities assumed be recognized at their fair values as of the acquisition date and that the difference between the fair value of the consideration paid for the acquired entity and the fair value of the net assets acquired be recorded as goodwill, which is not amortized but is tested at least annually for impairment.

The table below summarises the consideration paid for Nepfin and the fair value of the assets acquired and liabilities assumed at the closing date (in thousands, except share data).

	£'000
<b>Consideration at July 2021:</b>	
Cash	4
Stock (7,754 shares of Class A common stock)	3,256
<b>Recognised amounts of identifiable assets acquired, and liabilities assumed:</b>	
Current assets (inclusive of cash acquired)	202
Fixed assets	162
Accrued expenses and other current liabilities	(181)
<b>Total identifiable net assets acquired</b>	<b>183</b>
Goodwill	1,128
License	1,949
<b>Total</b>	<b>3,260</b>

#### 30 Profit and loss

The profit and loss account represents cumulative profits and losses net of all adjustments and transactions with owners (e.g. dividends).



## **ZILCH TECHNOLOGY LIMITED**

### **Notes to the financial statements (continued)**

For the year ended 31 March 2022

#### **31 Related party transactions**

Refer to Note 7 for details of Directors' remuneration and Key management personnel remuneration.

ZF2 is the legal borrower of Goldman Sachs Asset Management loan facility used by the Group (see note 22 for further details).

ZF2 acquired a portfolio of loans from the Company on origination totalling £181 million. During the period, ZF2 also acquired a further £92 million of consumer loans from the Company.

On origination ZF2 repaid principle on the portfolio totalling £147 million. During the period the Company repaid principal on the portfolio of consumer loans totalling £73 million.

Unless otherwise stated, none of the transactions incorporate special terms and conditions.

In the opinion of the Directors there is no overall controlling party at year end.

#### **32 Events after the reporting period**

Events occurring after the reporting period are summarised below and are all considered to be non-adjusting events.

Between April 2022 and March 2023:

- i. A further circa 14,000 equity-settled share options were granted to Group employees under the scheme detailed in Note 26.
- ii. A further circa 3,000 cash-settled awards were granted under the notional bonus payment scheme as detailed in Note 26, covering staff based in the UK, US and Poland.
- iii. A further circa 1,000 warrants were awarded under warrant instrument agreements as detailed in Note 28.