

Yoti Ltd

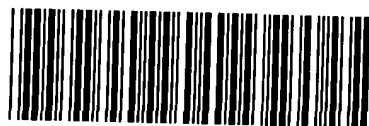
Annual Report and Financial Statements

Year Ended

31 March 2021

Company Number 08998951

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Yoti Ltd

Company Information

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

Yoti Ltd

Contents

	Page
Strategic Report	1
Directors' Report	2 - 3
Directors' Responsibilities Statement	4
Independent Auditor's Report	5 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 27

Yoti Ltd

Strategic Report For the Year Ended 31 March 2021

Principal activity

The principal activity of the company is that of a technology development company, developing and marketing its software solutions. The company's objective is to become a global identity platform for consumers, businesses and governments. The company invests significantly in research and development, particularly in the fields of biometrics, artificial intelligence and digital security. The company generated £665,197 of revenue from its principal activity during the current year (2020 - £100,168).

Business review and future developments

During the year the business has begun to monetise its whole suite of identity solutions, in which it has witnessed a significant increase in interest across the whole of its portfolio. Yoti has continued to invest heavily in the development of its proprietary technology and platform, as well as in its operational capability and levels of automation, in order to be able to scale its business very significantly and efficiently.

Functionality advances across its portfolio of solutions has seen Yoti win significant contracts with global brands, which will increase revenue and network traction very materially.

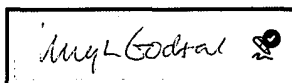
Competitors

There is strong competition in the rapidly growing field of identity verification as a service, although more so in the B2B space than user-centric B2C offerings. However, rapid development in the sophistication of both online fraud and the technology to prevent it, means that the market is constantly developing and growing. Yoti believes that its strong suite of solutions, including digital ID, identity verification, authentication, age verification and e-signing, gives Yoti a robust and competitive platform.

Regulatory

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

This report was approved by the board on 04Jan2022(UTC) and signed on its behalf.



H C Godsall
Director

Yoti Ltd

Directors' Report For the Year Ended 31 March 2021

The directors present their report together with the audited financial statements for the year ended 31 March 2021.

Principal activity during the year

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

Results and dividends

The loss for the year, after taxation, amounted to £18,144,517 (2020 - loss £23,643,502).

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

During the year Yoti Ltd generated £665,197 of revenue from its principal activity.

Directors

The directors who served during the year were:

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

Going concern

The financial statements have been prepared on a going concern basis despite the net liabilities of £89,061,294 (2020 - £71,615,920). The directors have reviewed the cash flow forecasts of the group headed by Yoti Holding Ltd for the next 12 months and have confirmed that Yoti Holding Ltd will not demand repayment for the loans due to it totalling £92,527,371 (2020 - £75,578,190).

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

The group has also received confirmation from certain shareholders, that, for a period of no less than 12 months from that date of approval of the financial statements, they will continue to provide the financial resources required to meet the company's liabilities as they fall due. The directors have assessed the ability of shareholders to provide such support and are confident that this will not be withdrawn. Consequently the directors believe the group and company will continue as a going concern and the financial statements have been prepared on this basis.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

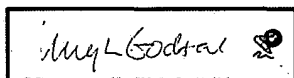
Yoti Ltd

Directors' Report (continued) For the Year Ended 31 March 2021

Auditor

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

This report was approved by the board on 04Jan2022(UTC) and signed on its behalf.



H C Godsal
Director

Yoti Ltd

Directors' Responsibilities Statement For the Year Ended 31 March 2021

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

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

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

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

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

Yoti Ltd

Independent Auditor's Report to the Members of Yoti Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Yoti Limited ("the company") for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Yoti Ltd

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Yoti Ltd

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Yoti Ltd

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

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

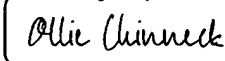
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations noted above;
- enquiring of management and the directors concerning actual and potential litigation and claims;
- performing analytical procedures to identify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

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

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

Use of our report

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

DocuSigned by:

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

05 January 2022

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

Yoti Ltd

Statement of Comprehensive Income For the Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	665,197	100,168
Gross profit		665,197	100,168
Administrative expenses		(20,451,037)	(24,840,862)
Operating loss	5	(19,785,840)	(24,740,694)
Interest receivable and similar income	9	2,298	6,305
Interest payable and similar expenses	10	(373)	(733,239)
Loss before tax		(19,783,915)	(25,467,628)
Tax on loss	11	1,639,398	1,824,126
Loss for the financial year		(18,144,517)	(23,643,502)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(18,144,517)	(23,643,502)

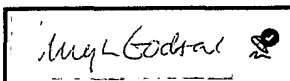
The notes on pages 12 to 26 form part of these financial statements.

Yoti Ltd
Registered number: 08998951

Statement of Financial Position
As at 31 March 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	12		14,119		17,718
Tangible assets	13		460,148		732,338
			<u>474,267</u>		<u>750,056</u>
Current assets					
Debtors: amounts falling due within one year	14	5,607,676		5,269,479	
Cash at bank and in hand		147,174		125,468	
		<u>5,754,850</u>		<u>5,394,947</u>	
Creditors: amounts falling due within one year	15	(95,290,411)		(77,710,923)	
Net current liabilities			<u>(89,535,561)</u>		<u>(72,315,976)</u>
Total assets less current liabilities			<u>(89,061,294)</u>		<u>(71,565,920)</u>
Provisions for liabilities					
Other provisions	16	-		(50,000)	
			<u>-</u>		<u>(50,000)</u>
Net liabilities			<u><u>(89,061,294)</u></u>		<u><u>(71,615,920)</u></u>
Capital and reserves					
Called up share capital	17		10		10
Capital redemption reserve	18		1,312,833		613,690
Profit and loss account	18		(90,374,137)		(72,229,620)
Total deficit			<u><u>(89,061,294)</u></u>		<u><u>(71,615,920)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 04Jan2022(UTC)



H C Godsal
Director

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

Yoti Ltd

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

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

Statement of Changes in Equity For the Year Ended 31 March 2020

	Called up share capital	Capital contribution reserve	Profit and loss account	Total deficit
	£	£	£	£
At 1 April 2018	10	416,393	(48,586,118)	(48,169,715)
Comprehensive loss for the year				
Loss for the year	-	-	(23,643,502)	(23,643,502)
Total comprehensive loss for the year	-	-	(23,643,502)	(23,643,502)
Contributions by and distributions to owners				
Share based payment	-	197,297	-	197,297
At 31 March 2020	10	613,690	(72,229,620)	(71,615,920)

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

1. General information

Yoti Ltd is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 (b), 11.41 (c), 11.41 (e), 11.41 11.42, 11.44 to 11.45, 11.47, 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Yoti Holding Ltd as at 31 March 2021 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis despite the net liabilities of £89,061,294 (2020 - £71,615,920). The directors have reviewed the cash flow forecasts of the group headed by Yoti Holding Ltd for the next 12 months and have confirmed that Yoti Holding Ltd will not demand repayment for the loans due to it totalling £92,527,371 (2020 - £75,578,190).

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

The group has also received confirmation from certain shareholders, that, for a period of no less than 12 months from that date of approval of the financial statements, they will continue to provide the financial resources required to meet the company's liabilities as they fall due. The directors have assessed the ability of shareholders to provide such support and are confident that this will not be withdrawn. Consequently the directors believe the group and company will continue as a going concern and the financial statements have been prepared on this basis.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

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

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Intangibles are amortised over a 3 year life.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following bases:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.7 Debtors

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.8 Financial instruments

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

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Creditors

Short term creditors are measured at the transaction price.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.10 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.11 Interest income

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

2.12 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.13 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.14 Research and development

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

2.15 Share based payments

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

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

2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2.19 Taxation

Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

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

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

- Determining whether costs incurred on internal projects satisfy the criteria to qualify for tax credits from the HMRC. Factors considered include ensuring technology costs achieve an advance in the overall knowledge or capability in a field of technology through the resolution of scientific or technological uncertainty and not simply an advance in its own state of knowledge or capability. The receivable at 31 March 2021 includes the 2020 and 2021 claim. The 2020 claim was received in April 2021.
- Determining the value of share options issued to their employees by the parent company. Factors considered include share option model, leaver assumptions and trading forecasts.

4. Turnover

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

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	428,595	100,168
United States of America	8,071	-
Europe	108,081	-
Rest of the world	120,450	-
	665,197	100,168

5. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Research & development charged as an expense	4,915,737	6,141,274
Depreciation of tangible fixed assets	461,531	688,972
Amortisation of intangible assets	2,020	4,336
Exchange differences	5,276	8,657
Other operating lease rentals	420,727	422,123
Define contribution pension costs	198,568	223,883
Auditor's remuneration - company audit	22,144	19,125
Auditor's remuneration for non audit services	4,500	4,395

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

6. Employees

	2021 £	2020 £
Wages and salaries	11,190,910	12,858,099
Social security costs	1,308,214	1,496,140
Cost of defined contribution scheme	198,568	223,883
	<u>12,697,692</u>	<u>14,578,122</u>

During the year, total share based payment charges incurred were £699,143 (2020 - £197,297).

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

	2021 No.	2020 No.
Directors	5	5
Employees	217	232
	<u>222</u>	<u>237</u>

7. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	336,526	354,300
Share based payments	80,626	31,947
	<u>417,152</u>	<u>386,247</u>

8. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. During the year, salaries and share based payment charges of key management personnel totalled £850,771 (2020 - £935,424).

These individuals also received compensation in relation to shares and options issued by the ultimate parent company, Yoti Holding Ltd. They received 17,400 EMI options (2020 - nil). They also received nil D shares from the exercise of options (2020 - 84,250).

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

9. Interest receivable and similar income

	2021 £	2020 £
Other interest receivable	2,298	6,305

10. Interest payable and similar charges

	2021 £	2020 £
Related party loan interest payable	-	732,996
Other interest payable	373	243
	373	733,239

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on losses for the year	(1,639,398)	(2,048,105)
Adjustments in respect of previous periods	-	223,979
Total current tax	(1,639,398)	(1,824,126)

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

11. Taxation (continued)

Factors affecting tax charge for year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(19,783,915)	(25,467,628)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(3,758,944)	(4,838,849)
Effects of:		
Fixed asset differences	410	-
Expenses not deductible for tax purposes	28,985	54,233
Additional deduction for R&D expenditure	(1,214,187)	(1,516,895)
Surrender of tax losses for R&D tax credit refund	508,779	635,622
Adjustment to tax charge in respect of previous periods	-	223,979
Deferred Tax not recognised	2,795,559	3,617,784
Total tax charge for the year	(1,639,398)	(1,824,126)

Factors that may affect future tax charges

Increase in the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly.

The company had carried forward tax losses of £68,140,419 (2020 - £50,389,535). No deferred tax asset has been recognised due to uncertainty over the company's ability to offset against future profits.

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

12. Intangible assets

	Computer software £
Cost	
At 1 April 2020	38,714
Disposals	(7,355)
At 31 March 2021	<u>31,359</u>
Amortisation	
At 1 April 2020	20,996
Charge for the year	2,020
On disposals	(5,776)
At 31 March 2021	<u>17,240</u>
Net book value	
At 31 March 2021	<u><u>14,119</u></u>
At 31 March 2020	<u><u>17,718</u></u>

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

13. Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2020	509,136	2,609,603	3,118,739
Additions	-	190,236	190,236
Disposals	(22,594)	(4,328)	(26,922)
At 31 March 2021	486,542	2,795,511	3,282,053
Depreciation			
At 1 April 2020	400,804	1,985,597	2,386,401
Charge for the year	53,138	408,393	461,531
Disposals	(22,350)	(3,677)	(26,027)
At 31 March 2021	431,592	2,390,313	2,821,905
Net book value			
At 31 March 2021	54,950	405,198	460,148
At 31 March 2020	108,332	624,006	732,338

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

14. Debtors

	2021 £	2020 £
Trade debtors	210,904	8,097
Amounts owed by group undertakings	564,257	122,062
Other debtors	514,312	404,573
Prepayments and accrued income	630,690	376,331
Research and development tax credit receivable	3,687,513	4,358,416
	<u>5,607,676</u>	<u>5,269,479</u>

Included in other debtors is £106,800 (2020 - £106,800) falling due after more than one year.

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

15. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	588,589	474,519
Amounts owed to group undertakings	1,028,408	586,672
Amounts owed to parent company	92,527,371	75,578,190
Corporation tax	-	11,849
Other taxation and social security	377,597	402,133
Other creditors	113,858	110,589
Accruals and deferred income	654,588	546,971
	<u>95,290,411</u>	<u>77,710,923</u>

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

16. Provisions

	Other provision £
At 1 April 2020	50,000
Utilised in year	(50,000)
At 31 March 2021	-

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

17. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1,000 ordinary shares of £0.01 each	10	10

18. Reserves

The company's capital and reserves are as follows:

Share capital

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

Capital contribution reserve

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

Profit and loss account

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

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

19. Share based payments

Starting in July 2016 Yoti Holding Ltd, the parent company, has granted options to the employees of Yoti Ltd under an EMI options scheme. All of the options are subject to vesting conditions linked to certain business valuation hurdles and leaver provisions. These vesting conditions can be accelerated at the discretion of the directors. The exercise price of all options in the scheme is the nominal value of the share itself, which is £0.00001. Since its inception the scheme has granted 1,542,050 options. There were 122,150 new options granted during the year (2020 - Nil).

During the year 82,300 (2020 - 142,330) options were forfeited and 24,357 (2020 - 227,643) options were exercised. At the year end there are 811,170 (2020 - 795,677) options remaining, of which 344,375 have vested and so are capable of exercise.

Starting in May 2020 a new employee share scheme was opened in which Yoti Holding Ltd granted options to employees of Yoti Ltd under a CSOP options scheme. All of the options are subject to vesting conditions linked to certain business valuation hurdles and leaver provisions. These vesting conditions can be accelerated at the discretion of the directors. The options have a nil pence exercise price and were valued using a black-scholes model with probabilities included based on the directors best estimate of valuation hurdles being achieved. During the year, 61,000 options were granted under this scheme, the fair value was calculated as £15.93 per share and a charge of £599,279 has been recorded in the current year.

The fair value of each option is determined at a grant date and is used to calculate the annual charge. A total charge of £699,143 (2020 - £197,297) has been recognised this year.

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £198,568 (2020 - £223,883). Contributions totalling £92,891 (2020 - £47,041) were payable to the fund at the reporting date and are included in creditors.

21. Commitments under operating leases

At 31 March 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Due not later than 1 year	348,504	435,005
Due later than 1 year and not later than 5 years	178,000	422,825
	526,504	857,830

Yoti Ltd

Notes to the Financial Statements For the Year Ended 31 March 2021

22. Related party transactions

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

During the year, key management personnel received total salaries and benefits of £850,771 (2020 - £935,424). The directors and key management personnel also received Nil D shares from the exercise of options (2020 - 84,350) and 17,400 EMI options (2020 - Nil).

During the year services to the value of £40,242 (2020 - Nil) were invoiced to a company in which a director has a significant interest. These invoices have all been paid.

23. Ultimate parent and controlling party

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

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

In the opinion of the directors Robin Tombs is the controlling party.