

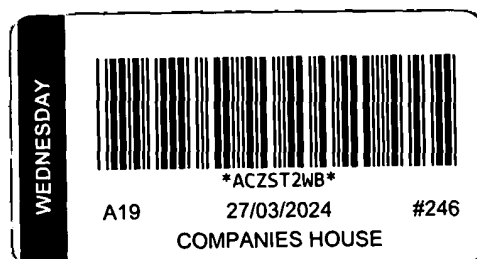
Yoti Ltd

Annual Report and Financial Statements

Year Ended

31 March 2023

Company Number 08998951



Yoti Ltd

Company Information

Directors

N T J Hayden
R J Tombs
H C Godsall
J J Browett
J R Dawson

Registered number

08998951

Registered office

6th Floor
107 Leadenhall Street
London
EC3A 4AF

Independent auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Yoti Ltd

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Yoti Ltd

Strategic Report For the year ended 31 March 2023

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2023.

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 £5,644,089 of revenue from its principal activity during the current year (2022 - £3,232,470).

Business review and future developments

During the year the business continued to monetise its suite of identity solutions it has licensed from the group. This resulted in a 75% increase in revenue. The Yoti group has continued to invest heavily in the development of its proprietary technology and platform, as well as in its operational capability and levels of automation, in order to be able to scale its business very significantly and efficiently.

During the year the group signed a commercial agreement with Lloyds Banking Group (LBG) to launch a white-labelled Digital ID app called SMART ID; in addition to this LBG invested £10m in Yoti Holding Ltd by way of a convertible loan note to be used to fund ongoing operations. Post year end in December 2023 the group completed a financing arrangement with HSBC bank and other existing investors for a further £20m, which was used to pay down some existing debt and to fund ongoing operations.

Functionality advances across its portfolio of solutions has seen Yoti win further significant contracts with global brands, which will increase revenue and network traction. In addition to this, the development of new markets, both in the UK and globally, offers some very large opportunities in the coming year, for example in Age Verification and HR Screening.

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 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 countries and for different industries can rely 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 change current laws that do not currently recognise digital forms of age and ID verification.

Regulatory requirements are changing rapidly in many jurisdictions, especially in respect of the use of biometrics and consent. Yoti takes regulatory compliance very seriously, but there will always be some risk of non-compliance.

Pricing

As competition increases, there will be a risk of pricing pressure. However, this risk is mitigated for Yoti by its platform approach where it is not reliant on a single solution for its revenues.

Yoti Ltd

Strategic Report (continued) For the year ended 31 March 2023

Business review and future developments (continued)

Foreign exchange

As Yoti's business becomes more international, there will be increasing risk from currency fluctuations. Yoti monitors these risks carefully and will take out appropriate hedging measures where appropriate.

Credit

Yoti has a number of significant customers which creates some risk of bad debt. However, most of Yoti's largest customers are multi-national organisations, which reduces the risk of default. Yoti also monitors its accounts receivables carefully.

Reputational

Given that Yoti is an identity company, its brand and business is built on trust. A security breach of Yoti's platform could have a very negative impact. However, the Yoti platform has been built with security at its core and we believe that the risk of such an event is very low.

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


Yoti eSigned

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H C Godsal
Director

Date: 22 Mar 2024 (UTC)

Yoti Ltd

Directors' Report For the year ended 31 March 2023

The directors present their report together with the audited financial statements for the year ended 31 March 2023.

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 £22,050,726 (2022 - loss of £21,910,250).

The directors do not recommend the payment of a dividend (2022 - £Nil).

During the year Yoti Ltd generated £5,644,089 (2022 - £3,232,470) of revenue from its principal activity.

Directors

The directors who served during the year were:

N T J Hayden

R J Tombs

H C Godsal

J J Browett

J R Dawson (appointed 7 June 2022)

M Nori (resigned 30 September 2022)

Yoti Ltd

Directors' Report (continued) For the year ended 31 March 2023

Going concern

The directors view the cash flows and liabilities of Yoti Holdings Limited and its subsidiaries ("the group") as a whole in making assessments of the group's ability to meet its liabilities as they fall due, therefore, as part of their assessment of going concern, the directors of the company have considered the funding and liquidity position of the group to determine the appropriateness of preparing the financial statements on a going concern basis.

The financial statements have been prepared on a going concern basis despite group net liabilities of £88,536,071 (2022 - £75,254,672). The directors have reviewed cash flow forecasts of the group and company for the next 12 months. Following this review and the associated refinancing of the business in December 2023 (see the Post Balance Sheet Events note for more details) the Directors have sufficient confidence that the company will continue as a going concern for at least 12 months from the date of approval of the financial statements.

The directors have reviewed the covenants agreed with HSBC as part of the December 2023 financing. These include cash levels, EBITDA and our ACV (Annualised Contract Value) levels. The group has performed stress tests on these covenants and is confident that they will not be broken in the next 12 months. The business will also be able to restructure its cost base or seek additional funding from existing shareholders, if required. The Directors have assessed the ability of shareholders to provide such support and are confident that this support will be available if required.

The shareholder loans that have primarily funded the business so far are not repayable on demand and can only be repaid if the group meets certain revenue and profit targets and cash availability. Therefore, the shareholder loans due, totalling £84,004,761 (2022 - £77,160,107), will not be called for repayment in the coming 12 months.

Further, there is a balance of £10m (plus rolled up interest) in convertible loan notes that comes to maturity in August 2024. The group has taken additional secured funding, held in escrow, to cover the required cash flow in the event that these convertible loan notes are redeemed. 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.

Auditor

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

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

Hugh Godsall
Yoti eSigned

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H C Godsall
Director

Date: 22 Mar 2024 (UTC)

Yoti Ltd

Directors' Responsibilities Statement For the year ended 31 March 2023

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

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

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

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

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

Yoti Ltd

Independent Auditor's Report to the Members of Yoti Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 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 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Yoti Ltd

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

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of directors

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

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

Yoti Ltd

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to Companies Act 2006 and Financial Reporting Standard 102.

The company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Health and Safety at work act, UK Employment Law, Data protection Act, UK tax law including corporate tax, VAT and PAYE.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of tax compliance; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - o Detecting and responding to the risks of fraud; and
 - o Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and

Yoti Ltd

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

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

- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be:

- Management override of controls
- Revenue recognition

Our procedures in respect of the above included:

- a review for any unusual and related party transactions that do not appear to be within the ordinary course of business; and
- challenging assumptions and judgements made by management in their significant accounting estimates and judgements, including impairment testing, the measurement of provisions, capitalisation policies of tangible assets and going concern.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- 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; and
- addressing the risk of fraud in revenue recognition by performing substantive testing of the revenue recognised during the year.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

Yoti Ltd

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

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:

Oliver Chinneck

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Oliver Chinneck (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
22 March 2024

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 2023

	Note	2023 £	2022 £
Turnover	4	5,644,089	3,232,470
Cost of sales		(1,071,364)	(765,558)
Gross profit		4,572,725	2,466,912
Administrative expenses		(27,703,987)	(25,731,543)
Operating loss	5	(23,131,262)	(23,264,631)
Interest receivable and similar income	9	-	786
Interest payable and similar charges	10	(206,959)	(1,367)
Loss before tax		(23,338,221)	(23,265,212)
Tax on loss	11	1,287,495	1,354,962
Loss for the financial year		(22,050,726)	(21,910,250)

There was no other comprehensive income for 2023 (2022 - £Nil).

The notes on pages 14 to 29 form part of these financial statements.

Yoti Ltd
Registered number: 08998951

Statement of Financial Position
As at 31 March 2023

	Note	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Intangible assets	12		14,119		14,119
Tangible assets	13		476,251		355,316
			<u>490,370</u>		<u>369,435</u>
Current assets					
Debtors: amounts falling due within one year	14	5,159,734		4,425,613	
Cash at bank and in hand		289,035		355,423	
		<u>5,448,769</u>		<u>4,781,036</u>	
Creditors: amounts falling due within one year	15	(134,403,148)		(114,953,947)	
Net current liabilities			<u>(128,954,379)</u>		<u>(110,172,911)</u>
Total assets less current liabilities			<u>(128,464,009)</u>		<u>(109,803,476)</u>
Creditors: amounts falling due after more than one year	16		(2,408,028)		-
Net liabilities			<u><u>(130,872,037)</u></u>		<u><u>(109,803,476)</u></u>
Capital and reserves					
Called up share capital	17		10		10
Capital contribution reserve	18		3,463,066		2,480,901
Profit and loss account	18		(134,335,113)		(112,284,387)
Total deficit			<u><u>(130,872,037)</u></u>		<u><u>(109,803,476)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
22 Mar 2024 (UTC)

Hugh Godsall
Yoti eSigned

H C Godsall
Director

The notes on pages 14 to 29 form part of these financial statements:

Yoti Ltd

Statement of Changes in Equity For the year ended 31 March 2023

	Called up share capital	Capital contribution reserve	Profit and loss account	Total deficit
	£	£	£	£
At 1 April 2022	10	2,480,901	(112,284,387)	(109,803,476)
Comprehensive loss for the year				
Loss for the year	-	-	(22,050,726)	(22,050,726)
Total comprehensive loss for the year	-	-	(22,050,726)	(22,050,726)
Contributions by and distributions to owners				
Share based payment	-	982,165	-	982,165
At 31 March 2023	10	3,463,066	(134,335,113)	(130,872,037)

Statement of Changes in Equity For the year ended 31 March 2022

	Called up share capital	Capital contribution reserve	Profit and loss account	Total deficit
	£	£	£	£
At 1 April 2020	10	1,312,833	(90,374,137)	(89,061,294)
Comprehensive loss for the year				
Loss for the year	-	-	(21,910,250)	(21,910,250)
Total comprehensive loss for the year	-	-	(21,910,250)	(21,910,250)
Contributions by and distributions to owners				
Share based payment	-	1,168,068	-	1,168,068
At 31 March 2022	10	2,480,901	(112,284,387)	(109,803,476)

The notes on pages 14 to 29 form part of these financial statements.

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

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 2023 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 2023

2. Accounting policies (continued)

2.3 Going concern

The directors view the cash flows and liabilities of Yoti Holdings Limited and its subsidiaries ("the group") as a whole in making assessments of the group's ability to meet its liabilities as they fall due, therefore, as part of their assessment of going concern, the directors of the company have considered the funding and liquidity position of the group to determine the appropriateness of preparing the financial statements on a going concern basis.

The financial statements have been prepared on a going concern basis despite group net liabilities of £88,536,071 (2022 - £75,254,672). The directors have reviewed cash flow forecasts of the group and company for the next 12 months. Following this review and the associated refinancing of the business in December 2023 (see the Post Balance Sheet Events note for more details) the Directors have sufficient confidence that the company will continue as a going concern for at least 12 months from the date of approval of the financial statements.

The directors have reviewed the covenants agreed with HSBC as part of the December 2023 financing. These include cash levels, EBITDA and our ACV (Annualised Contract Value) levels. The group has performed stress tests on these covenants and is confident that they will not be broken in the next 12 months. The business will also be able to restructure its cost base or seek additional funding from existing shareholders, if required. The Directors have assessed the ability of shareholders to provide such support and are confident that this support will be available if required.

The shareholder loans that have primarily funded the business so far are not repayable on demand and can only be repaid if the group meets certain revenue and profit targets and cash availability. Therefore, the shareholder loans due, totalling £84,004,761 (2022 - £77,160,107), will not be called for repayment in the coming 12 months.

Further, there is a balance of £10m (plus rolled up interest) in convertible loan notes that comes to maturity in August 2024. The group has taken additional secured funding, held in escrow, to cover the required cash flow in the event that these convertible loan notes are redeemed. 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. Revenue is recognised depending on the substance of the contract. The types of revenue recognition that we have in place are as follows:

Transactional Revenues

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

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

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

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

2. Accounting policies (continued)

2.4 Revenue (continued)

Licence Fee Revenues

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

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

Revenues of this nature include Digital ID, Age verifications, Age Other, Credentials and Health revenue.

Subscription Revenues

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

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

Revenues of this nature include e-signing revenues.

Milestone Based Revenues

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

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

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

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

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 unless the arrangement constitutes a financial transaction.

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

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 group companies.

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

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

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

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

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 2023

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 the statement of comprehensive income 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 2023

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

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

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

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

2.17 Holiday pay accrual

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

2.18 Taxation

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

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

As the company continues to develop innovative software, they incur certain expenses that are available to be claimed as a credit for tax purposes even if no tax liability exists. These are recorded when the company believes they are recoverable.

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

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

- Determining whether costs incurred on internal projects satisfy the criteria to qualify for tax credits from the HMRC. Factors considered include ensuring technology costs achieve an advance in the overall knowledge or capability in a field of technology through the resolution of scientific or technological uncertainty and not simply an advance in its own state of knowledge or capability. At March 31 2023, the receivable balance is £1,287,495 which includes the 2023 claim. (31 March 2022 - £1,354,962 includes 2022).
- Determining the value of share options issued to their employees by the parent company. Factors considered include share option model, leaver assumptions, trading forecasts and fair value of options.

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

4. Turnover

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

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	4,210,790	2,243,785
Switzerland	372,781	19,138
Europe	363,861	238,942
Cyprus	349,943	404,804
North America	161,814	4,781
Rest of the world	184,900	321,020
	<u>5,644,089</u>	<u>3,232,470</u>

5. Operating loss

The operating loss is stated after charging:

	2023 £	2022 £
Research & development charged as an expense	3,860,554	4,062,854
Depreciation of tangible fixed assets	259,422	310,876
Exchange differences	(99,838)	(2,022)
Other operating lease rentals	245,592	295,734
Define contribution pension costs	231,917	208,162
Auditor's remuneration - company audit	39,750	30,000
Auditor's remuneration for non audit services	2,625	4,894

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

6. Employees

	2023 £	2022 £
Wages and salaries	13,586,757	13,027,975
Social security costs	1,717,925	1,545,960
Cost of defined contribution scheme	231,917	208,162
	<u>15,536,599</u>	<u>14,782,097</u>

During the year, total share based payment charges incurred were £982,165 (2022 - £1,168,068).

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

	2023 No.	2022 No.
Directors	5	5
Employees	212	212
	<u>217</u>	<u>217</u>

7. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	458,958	368,998
Share based payment	49,048	95,746
	<u>508,006</u>	<u>464,744</u>

8. Key management personnel

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

All salary costs paid to key management personnel are borne by Yoti Ltd and including share option charges were £1,055,561 (2022 - £951,579). These individuals also received compensation in relation to shares and options issued by the company. They received 30,660 D shares (2022 - 183,250) from exercising options and were granted 2,696 Options (2022 - 15,000).

Yoti Ltd

Notes to the Financial Statements
For the year ended 31 March 2023

9. Interest receivable and similar income

	2023 £	2022 £
Other interest receivable	-	786

10. Interest payable and similar charges

	2023 £	2022 £
Other interest payable	206,959	1,367

11. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on losses for the year	(1,287,495)	(1,354,962)
Total current tax	(1,287,495)	(1,354,962)

Factors affecting tax charge for year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	(23,338,221)	(23,265,212)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	(4,434,262)	(4,420,390)
Effects of:		
Fixed asset differences	(21,619)	(14,423)
Expenses not deductible for tax purposes	31,983	349
Additional deduction for R&D expenditure	(953,557)	(1,003,525)
Surrender of tax losses for R&D tax credit refund	399,567	420,506
Deferred tax not recognised	3,690,393	3,662,521
Total tax charge for the year	(1,287,495)	(1,354,962)

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

11. Taxation (continued)

Factors that may affect future tax charges

The Finance Act 2021 was substantively enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

12. Intangible assets

	Computer software £
Cost	
At 1 April 2022	31,359
At 31 March 2023	31,359
Amortisation	
At 1 April 2022	17,240
At 31 March 2023	17,240
Net book value	
At 31 March 2023	14,119
At 31 March 2022	14,119

Yoti Ltd

Notes to the Financial Statements
For the year ended 31 March 2023

13. Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2022	135,888	3,048,555	3,184,443
Additions	-	380,113	380,113
Disposals	(47,386)	(88,740)	(136,126)
At 31 March 2023	88,502	3,339,928	3,428,430
Depreciation			
At 1 April 2022	134,730	2,694,397	2,829,127
Charge for the year	1,158	258,020	259,178
Disposals	(47,386)	(88,740)	(136,126)
At 31 March 2023	88,502	2,863,677	2,952,179
Net book value			
At 31 March 2023	-	476,251	476,251
At 31 March 2022	1,158	354,158	355,316

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

14. Debtors: amounts falling due within one year

	2023 £	2022 £
Trade debtors	720,499	331,034
Amounts owed by group undertakings	1,591,223	1,142,945
Other debtors	441,773	700,574
Prepayments and accrued income	1,118,744	896,098
Research and development tax credit receivable	1,287,495	1,354,962
	<u>5,159,734</u>	<u>4,425,613</u>

All amounts shown in debtors falls due for payment within one year except an amount of £Nil (2022 - £180,903) included in other debtors.

Impairment loss of £1,402 (2022 - £11,629) was recognised in the statement of comprehensive income in respect of bad and doubtful trade debtors.

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

15. Creditors: amounts falling due within one year

	2023 £	2022 £
Secured loan*	953,335	-
Trade creditors	1,445,492	1,173,386
Amounts owed to group undertakings	1,604,080	1,129,258
Amounts owed to parent company**	128,675,547	110,940,737
Other taxation and social security	554,736	438,828
Other creditors	268,269	141,365
Accruals and deferred income	901,689	1,130,373
	<u>134,403,148</u>	<u>114,953,947</u>

*In August 2022, the group entered into a short term funding arrangement with a US investment firm. The investment firm agreed to purchase future receipts of the group at a discount, with the full purchased amount to be repaid over 18 months following from each drawdown. This loan is secured against future revenue.

During the year the Company made three drawdowns from this facility totalling £4.6m. At the year end the total amount repayable was £3.4m. Since the year end the Company has made a further three drawdowns from this facility totalling £4.1m. In December 2023 as part of a separate financing arrangement the whole outstanding debt of £6.1m was repaid.

**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 2023

16. Creditors: Amounts falling due after more than one year

	2023 £	2022 £
Secured loans* (note 15)	2,408,028	-
	<u>2,408,028</u>	<u>-</u>

17. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
1,000 ordinary shares of £0.01 each	10	10
	<u>10</u>	<u>10</u>

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.

19. Share based payments

Yoti Holding Ltd, the parent company, operates an equity-settled share based remuneration scheme for employees of Yoti Ltd. Options are issued to UK based employees under one of two HMRC approved schemes, EMI or CSOP. All options have the same conditions attached to them, which are set at the time of granting. Each set of options has two vesting conditions, one is time based, the other is based on certain business valuation hurdles.

EMI Option Scheme

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 (2022 - 1,542,050). During the year Nil (2022 - Nil) EMI options were granted.

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

19. Share based payments (continued)

EMI Option Scheme

	Weighted Average Exercise Price 2023	Number 2023	Weighted Average Exercise Price 2022	Number 2022
Outstanding at the beginning of the year	£0.00001	408,281	£0.00001	787,195
Granted during the year	£0.00001	-	£0.00001	-
Forfeited during the year	£0.00001	(29,511)	£0.00001	(42,736)
Exercised during the year	£0.00001	(60,042)	£0.00001	(336,178)
Outstanding at the end of the year	£0.00001	318,728	£0.00001	408,281

CSOP Option Scheme

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 an exercise price set in consultation with HMRC, which is different for each set of options granted. Since its inception the scheme has granted 404,254 options (2022 - 291,400). During the year 112,584 (2022 - 230,400) CSOP options were granted.

	Weighted Average Exercise Price 2023	Number 2023	Weighted Average Exercise Price 2022	Number 2022
Outstanding at the beginning of the year	£6.43	256,104	£1.59	56,250
Granted during the year	£5.63	112,854	£7.50	230,400
Forfeited during the year	£5.81	(52,796)	£4.00	(29,450)
Exercised during the year	£7.50	(4)	£1.59	(1,096)
Outstanding at the end of the year	£6.27	316,158	£6.43	256,104

The fair value of all options is determined at grant date and is used to calculate the annual charge. A total charge of £982,165 (2022 - £1,168,068) has been recognised this year for both schemes.

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 £231,917 (2022 - £208,162). Contributions totalling £58,969 (2022 - £50,987) were payable to the fund at the reporting date and are included in creditors.

Yoti Ltd

Notes to the Financial Statements For the year ended 31 March 2023

21. Commitments under operating leases

At 31 March 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Due not later than 1 year	143,732	225,367
Due later than 1 year and not later than 5 years	-	143,732
	<u>143,732</u>	<u>369,099</u>

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 £1,055,561 (2022 - £951,579). The directors and key management personnel also received 30,660 D shares (2022 - 183,250) from exercising options and were granted 2696 Options (2022 - 15,000).

During the year services to the value of £39,798 (2022 - £43,125) were invoiced to a company in which a director has a significant interest. These invoices have all been paid.

23. Post statement of financial position events

In December 2023 the group completed a financing arrangement with HSBC bank for a revolving credit facility of £12.5m, alongside a further £7.5m of debt from existing investors. Both tranches of debt incur interest at a rate of 7% above the Bank of England's base rate and are repayable in December 2027. At the time of completion £5m was drawn down from the HSBC facility, while the full £7.5m was drawn down from the existing investors. Part of this was used to fund early settlement of the existing debt.

As part of the above arrangement a further debt deal was completed to the value of £11.8m from individual investors. The cash was fully drawn down in December 2023 and placed into an escrow account, over which a charge was held by HSBC. This cash is reserved in case LBG decides to redeem the convertible loan note rather than convert it upon maturity in August 2024.

24. 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.