

## **Zappar Limited**

### **Report and Financial Statements**

*31 March 2022*



**Zappar Limited**

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**COMPANY INFORMATION**

<b>Directors</b>	K M Ewing C M Gauld N J Hyslop J D Satchell S J Taylor J C S Thykier
<b>Registered number</b>	SC394617
<b>Registered office</b>	The Cairn Auchterarder Perthshire Scotland PH3 1NR
<b>Independent auditors</b>	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW
<b>Bankers</b>	HSBC Bank plc 16 King Street London WC2E 8JF

## **Zappar Limited**

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### **STRATEGIC REPORT**

**For the Year Ended 31 March 2022**

#### **Introduction**

Zappar has three different activity areas:

Zappar Creative Studio is an Augmented Reality consultancy helping world-leading companies with camera strategy and customer engagement projects using AR on mobile, handheld devices, and head-mounted displays. It is a B2B product.

ZapWorks is subscription-based software tools that enable customers to develop their projects in augmented reality. The customers range from hobbyists to large companies. It is both a B2C and B2B product.

Zapbox is a wearable hardware product with a wide range of use cases, from games to education.

Zappar was established to democratize augmented reality - making it accessible and affordable to everybody.

#### **Business review and key performance indicators**

The revenue for 2021/22 was £4.8m, which is an increase of 15% compared to the turnover of £4.2m in 2020/21. Zappar Creative Studio accounted for 59% of the revenue and ZapWorks for 41%, while the revenue for Zapbox was immaterial.

The revenue is split between the United Kingdom (£1.4m), the rest of Europe (£1.3m), and the rest of the world (£2.1m).

The profit for 2021/22 was £0.1m, which is a decrease of £0.1m compared to 2020/21.

The cash balance has increased by £0.7m during 2021/22. There is a continued focus on invoicing and debt collection. At the end of the year, the financial position is healthy, with a cash position of £4.5m.

The Company continues to focus and improve on key performance indicators. For the Zappar Creative Studio, the focus is on average project price and margin and employee productivity, while ZapWorks focuses on customer retention and average order value.

The focus in 2022/23 will be to grow revenue. The investments made in 2021/22 in senior people across all the Company's critical functions are expected to drive growth. Furthermore, the Company will continue to invest in the new version of Zapbox with an expected commercial launch in 2023. The Company expects to make a small loss in 2022/23 before returning to profitability by the end of 2023.

#### **Principal risks and uncertainties**

The directors continually identify, evaluate and manage material risks and uncertainties faced by the Company, which could adversely affect the Company's business, operating results, and financial condition. The directors consider the business's principal risks being the macro economical outlook, competition for tech talent, and increased competition from global technology platforms.

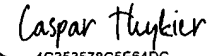
The Company uses various financial instruments, including cash, trade debtors, and trade creditors, that arise directly from its operations. These financial instruments expose the Company to several financial risks, including exchange rate risks.

**Zappar Limited**

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**STRATEGIC REPORT (CONTINUED)**  
**For the Year Ended 31 March 2022**

This report was approved by the board on 21 December 2022 and signed on its behalf.

DocuSigned by:  
  
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J C S Thykier  
Director

## **Zappar Limited**

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### **DIRECTORS' REPORT**

#### **For the Year Ended 31 March 2022**

The directors present their report and the financial statements for the year ended 31 March 2022.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £68,379 (2021 - £185,693).

The directors have not recommended a dividend (2021: £nil).

#### **Future developments**

Details of post balance sheet events and likely future developments are contained in the strategic report.

#### **Directors**

The directors who served during the year were:

K M Ewing  
C M Gauld  
N J Hyslop  
J D Satchell  
S J Taylor  
J C S Thykier

#### **Directors' responsibilities statement**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## Zappar Limited

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### **DIRECTORS' REPORT**

**For the Year Ended 31 March 2022**

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 to 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.

#### **Disclosure of information to auditors**

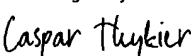
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

#### **Auditors**

Under section 487(2) of the Companies Act 2006, Crowe U.K. LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 21 December 2022 and signed on its behalf.

DocuSigned by:  
  
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J C S Thykier  
Director

## **Zappar Limited**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZAPPAR LIMITED**

#### **Opinion**

We have audited the financial statements of Zappar Limited for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income and Retained Earnings, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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.

## **Zappar Limited**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZAPPAR LIMITED (CONTINUED)**

#### **Other information**

The directors are responsible for the other information contained within the annual report. 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.

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

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept by the Company, 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors report and from the requirement to prepare a strategic report.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.



## **Zappar Limited**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZAPPAR LIMITED**

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.

#### **Auditors' 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.

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:

We obtained an understanding of the legal and regulatory frameworks within which the company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and relevant Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases, confirming support from the company's parent and assessing the reasonableness on inputs in the valuation model of the goodwill.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**Zappar Limited**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZAPPAR LIMITED (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 Auditors' 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.



John Charlton (Senior Statutory Auditor)  
for and on behalf of  
**Crowe U.K. LLP**  
Statutory Auditor

55 Ludgate Hill  
London  
EC4M 7JW

21 December 2022

**Zappar Limited**


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**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Year Ended 31 March 2022**

	Note	2022 £	2021 £
Revenue	3	4,822,363	4,187,003
Cost of sales		(1,230,140)	(1,056,456)
<b>Gross profit</b>		<b>3,592,223</b>	<b>3,130,547</b>
Administrative expenses		(3,751,364)	(3,110,760)
<b>Operating profit/(loss)</b>	4	<b>(159,141)</b>	<b>19,787</b>
Interest receivable and similar income		17	5,171
Interest payable and similar expenses	8	-	-
<b>Profit/(loss) before tax</b>		<b>(159,124)</b>	<b>24,958</b>
Tax on profit/(loss)	9	227,503	160,735
<b>Profit for the financial year</b>		<b>68,379</b>	<b>185,693</b>

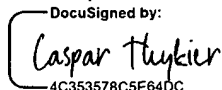
There was no other comprehensive income for 2022 (2021: £NIL).

The notes on pages 12 to 24 form part of these financial statements.

**Zappar Limited****BALANCE SHEET**  
**As at 31 March 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	10	320,146	329,920
Tangible assets	11	125,146	57,313
Investments in subsidiaries	12	66	66
		<b>445,358</b>	<b>387,299</b>
<b>Current assets</b>			
Inventories	13	101,138	-
Trade and other receivables	14	1,875,019	2,312,104
Cash and cash equivalents		4,481,754	3,783,647
		<b>6,457,911</b>	<b>6,095,751</b>
Creditors - amounts falling due within one year	15	(2,036,382)	(1,690,642)
<b>Net current assets</b>		<b>4,421,529</b>	<b>4,405,109</b>
<b>Total assets less current liabilities</b>		<b>4,866,887</b>	<b>4,792,408</b>
Creditors - amounts falling due after more than one year	16	(3,322,287)	(3,322,287)
<b>Provisions for liabilities</b>			
Deferred tax	17	(57,878)	(64,023)
Other provisions	18	(25,000)	(24,755)
		<b>(82,878)</b>	<b>(88,778)</b>
<b>Net assets</b>		<b>1,461,722</b>	<b>1,381,343</b>
<b>Capital and reserves</b>			
Called up share capital	19	200	200
Capital redemption reserve		498,343	498,343
Other reserves		30,000	30,000
Profit and loss account		933,179	852,800
		<b>1,461,722</b>	<b>1,381,343</b>

The financial statements were approved and authorised for issue by the board on 21 December 2022 and were signed on its behalf by:

J C S Thykier, Director  DocuSigned by:  
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The notes on pages 12 to 24 form part of these financial statements.

**Zappar Limited**


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**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended 31 March 2022**

	<b>Called up share capital £</b>	<b>Capital contribu- tions £</b>	<b>Other reserves £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>At 1 April 2020</b>	<b>200</b>	<b>498,343</b>	<b>30,000</b>	<b>651,975</b>	<b>1,180,518</b>
Profit for the year	-	-	-	185,693	185,693
<b>Total comprehensive income for the year</b>	-	-	-	<b>185,693</b>	<b>185,693</b>
Credit to equity from share based payment	-	-	-	15,132	15,132
<b>At 1 April 2021</b>	<b>200</b>	<b>498,343</b>	<b>30,000</b>	<b>852,800</b>	<b>1,381,343</b>
Profit for the year	-	-	-	68,379	68,379
<b>Total comprehensive income for the year</b>	-	-	-	<b>68,379</b>	<b>68,379</b>
Credit to equity from share based payment	-	-	-	12,000	12,000
<b>At 31 March 2022</b>	<b>200</b>	<b>498,343</b>	<b>30,000</b>	<b>933,179</b>	<b>1,461,722</b>

The notes on pages 12 to 24 form part of these financial statements.

## **Zappar Limited**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2022**

#### **1. General information**

Zappar Limited is a private company limited by shares incorporated in the United Kingdom and registered in Scotland at The Cairn, Auchterarder, Perthshire, PH3 1NR. The principal activity of the Company is the development and commercialisation of augmented, virtual and mixed reality solutions.

#### **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 judgment in applying the Company's accounting policies.

##### **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 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 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 26 Share-based Payment paragraphs 26.15(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Zappar Holdings Limited as at 31 March 2022, copies of which are publicly available.

##### **2.3 Going concern**

The directors and management have produced forecasts which indicate that the Company should be in a position to continue in operational existence for the foreseeable future. For this reason, the directors have prepared the financial statements on a going concern basis.

##### **2.4 Exemption from preparing consolidated financial statements**

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under UK company law and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

## **Zappar Limited**

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### **NOTES TO THE FINANCIAL STATEMENTS** **For the Year Ended 31 March 2022**

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

##### **2.5 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.

Royalty income is recognised over the period to which the royalties relate.

Licence income is recognised over the period of the licence.

##### **2.6 Foreign currency translation**

##### *Functional and presentation currency*

The Company's functional and presentational currency is GBP.

##### *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.

##### **2.7 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.

**Zappar Limited**

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**NOTES TO THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2022****2. Accounting policies (continued)****2.8 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge 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 balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.9 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which are predominantly 2 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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.

**2.10 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.



## **Zappar Limited**

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### **NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2022**

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

##### **2.10 Tangible fixed assets (continued)**

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.

The estimated useful lives range as follows:

Short-term leasehold property – Over the life of the lease

Fixtures, fittings and tools – 2-4 years

IT equipment – 3-4 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

##### **2.11 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

##### **2.12 Financial instruments**

The Company does not trade in financial instruments and all such instruments arise directly from operations.

All trade and other debtors are initially recognised at transaction value, as none contain in substance a financing transaction. Thereafter trade and other debtors are reviewed for impairment where there is objective evidence based on observable data that the balance may be impaired. The Company does not hold collateral against its trade and other receivables so its exposure to credit risks is the net balance of trade and other debtors after allowance for impairment.

The Company's cash holdings comprise on demand balances. All cash is held with banks with strong external credit ratings.

Trade and other creditors and accruals are initially recognised at transaction value as none represent a financing transaction. They are only derecognised when they are extinguished.

Other financial liabilities, including loans from fellow group companies, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method. Where the loans do not carry interest, the initial fair value is calculated by reference to the expected repayment profile of the instrument and the estimated market rate of interest for a similar financial instrument. The difference between the transaction amount on issue and the fair value at that date is taken to a capital redemption reserve, which is subsequently reduced by transfers from the profit and loss reserve as the discount unwinds.

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2022****2. Accounting policies (continued)****2.13 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 payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.14 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 profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet 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 Balance Sheet.

**3. Revenue**

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

Analysis of turnover by country of destination:

	2022	2021
	£	£
United Kingdom	1,394,681	1,130,491
Rest of Europe	1,314,104	1,214,231
Rest of the world	2,113,578	1,842,281
	<u>4,822,363</u>	<u>4,187,003</u>

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2022****4. Operating profit / (loss)**

The operating profit / (loss) is stated after charging:

	2022 £	2021 £
Exchange differences	(10,777)	41,403
Other operating lease rentals	125,081	187,800
Share based payment	12,000	15,132
	<u>          </u>	<u>          </u>

**5. Auditors' remuneration**

	2022 £	2021 £
Audit-related assurance services	25,000	27,500
Taxation compliance services	4,000	3,150
All other services	-	1,050
	<u>          </u>	<u>          </u>
	<b>29,000</b>	<b>31,700</b>
	<u>          </u>	<u>          </u>

**6. Employees**

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	3,021,581	2,533,863
Social security costs	381,718	368,157
Cost of defined contribution scheme	88,771	50,030
	<u>          </u>	<u>          </u>
	<b>3,492,070</b>	<b>2,952,050</b>
	<u>          </u>	<u>          </u>

The above are stated after the deduction for capitalised costs of £212,000 (2021: £196,000).

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

	2022 No.	2021 No.
Average number of employees in the year	<u>59</u>	<u>55</u>

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2022****7. Directors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	479,585	425,000
Company contributions to defined contribution pension scheme:	3,963	3,947
	<b>483,548</b>	<b>428,947</b>

During the year retirement benefits were accruing to 3 directors (2021: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £ 173,195 (2021: £155,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,321 (2021: £1,316).

**8. Interest payable and similar expenses**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Bank interest payable	-	-
Other loan interest payable	(498,343)	(498,343)
Loans from group undertakings	498,343	498,343
	<b>-</b>	<b>-</b>

The notional interest relates to the accounting for a loan from the parent company as a financing transaction.

The gain on re-estimation of cash flows arises as notice has not been served for repayment of the loan.

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2022****9. Tax on profit /(loss)**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Corporation Tax</b>		
Current tax on profits for the year	(221,528)	(124,511)
Adjustments in respect of previous periods	10	(13,099)
	<b>(221,518)</b>	<b>(137,610)</b>
<b>Foreign Tax</b>		
Foreign Tax on income for the year	160	1,852
<b>Total current Tax</b>	<b>(221,358)</b>	<b>(135,758)</b>
<b>Deferred Tax</b>		
Origination and reversal of timing differences	(8,448)	(22,684)
Adjustments in respect of previous periods	2,303	-
Changes to tax rates	-	(2,293)
<b>Taxation on profit/(loss) on ordinary activities</b>	<b>(227,503)</b>	<b>(160,735)</b>

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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities before tax	<b>(159,124)</b>	<b>24,958</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(30,234)	4,742
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	8
Other timing differences	(2,746)	(6,349)
Qualifying research and development expenditure	(196,996)	(147,889)
Adjustments in respect of prior periods	2,313	(13,099)
Withholding tax suffered	160	1,852
<b>Total tax charge for the year</b>	<b>(227,503)</b>	<b>(160,735)</b>

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2022****9. Tax on profit /(loss) (continued)****Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**10. Intangible assets**

	<b>Development £</b>
<b>Cost</b>	
At 1 April 2021	1,845,196
Additions - internal	212,000
	<hr/>
<b>At 31 March 2022</b>	<b>2,057,196</b>
	<hr/>
<b>Amortisation</b>	
At 1 April 2021	1,515,276
Charge for the year	221,774
	<hr/>
<b>At 31 March 2022</b>	<b>1,737,050</b>
	<hr/>
<b>Net book value</b>	
<b>At 31 March 2022</b>	<b>320,146</b>
	<hr/>
<b>At 31 March 2021</b>	<b>329,920</b>
	<hr/>

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2022****11. Tangible assets**

	Short-term leasehold property £	Fixtures, fittings and tools £	IT equipment £	Total £
<b>Cost</b>				
At 1 April 2021	39,340	53,617	208,215	301,172
Additions	-	45,478	59,478	104,956
Disposals	(1,719)	(2,508)	(126,767)	(130,994)
<b>At 31 March 2022</b>	<b>37,621</b>	<b>96,587</b>	<b>140,926</b>	<b>275,134</b>
<b>Depreciation</b>				
At 1 April 2021	39,340	45,810	158,709	243,859
Charge for the year	-	5,461	31,662	37,123
Disposals	(1,719)	(2,508)	(126,767)	(130,994)
<b>At 31 March 2022</b>	<b>37,621</b>	<b>48,763</b>	<b>63,604</b>	<b>149,988</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>-</b>	<b>47,824</b>	<b>77,322</b>	<b>125,146</b>
<b>At 31 March 2021</b>	<b>-</b>	<b>7,807</b>	<b>49,506</b>	<b>57,313</b>

**12. Investments in subsidiaries**

	Subsidiary £
<b>Cost</b>	
At 1 April 2021	66
<b>At 1 March 2022</b>	<b>66</b>

The company's only subsidiary is Zappar Inc., a company incorporated in the United States of America and registered at 160 Greentree Drive, Suite 101, Dover, Kent County, Delaware 19904. Zappar Inc. acts as a sales agent for the company. The aggregate capital and reserves of Zappar Inc. at 31 March 2022 were £65,225 (2021: £53,418) and its result for the year was a profit of £9,058 (2021: £8,743).

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2022****13. Inventories**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	101,138	-
	<b>101,138</b>	<b>-</b>

**14. Trade and other receivables**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,033,419	1,463,278
Other debtors	34,077	40,819
Prepayments and accrued income	448,740	577,397
Tax recoverable	358,783	230,610
	<b>1,875,019</b>	<b>2,312,104</b>

**15. Creditors – amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Trade creditors	112,920	72,740
Amounts owed to group undertakings	40,927	44,857
Other taxation and social security	212,037	93,773
Other creditors	166,770	23,318
Accruals and deferred income	1,503,728	1,455,954
	<b>2,036,382</b>	<b>1,690,642</b>

**16. Creditors – amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	<b>3,322,287</b>	<b>3,322,287</b>

Amounts due to group undertakings comprise an intra-group loan with nominal value of £3,820,630 (2021: £3,820,630). The loan is unsecured, does not attract interest and is repayable on 367 days' notice. The loan has been accounted for as a financing transaction with an assumed market rate of interest of 15% (2021: 15%). The resulting discount based on the expected repayment profile of the loan, which is treated as a capital contribution reserve, is £498,343 (2021: £498,343).



**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2022****17. Deferred tax**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
At beginning of year	64,023	89,000
Charged to profit or loss	(6,145)	(24,977)
<b>At end of year</b>	<b>57,878</b>	<b>64,023</b>

The provision of deferred taxation is made up as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	75,965	73,575
Tax losses carried forward	(1,995)	(2,638)
Other timing differences	(16,092)	(6,914)
	<b>57,878</b>	<b>64,023</b>

**18. Other provisions**

	<b>Dilapidations</b>
	<b>£</b>
At 1 April 2021	24,755
Charged to the profit or loss	245
<b>At 31 March 2022</b>	<b>25,000</b>

**19. Called up share capital**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Allotted, called up and fully paid		
200 (2021: 200) Ordinary shares of £1.00 each	200	200

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2022****20. Pension commitments**

The Company operates a defined contribution 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 £84,812 (2021: £50,030). Contributions totalling £45,815 (2021: £14,655) were payable to the fund at the balance sheet date.

**21. Commitments under operating leases**

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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Not later than 1 year	90,000	169,775
Between 1 and 5 years	31,125	-
	<u><b>121,125</b></u>	<u><b>169,775</b></u>

**22. Controlling party**

The Company's immediate and ultimate parent undertaking is Zappar (Holding) Limited, which is incorporated in the United Kingdom and registered in Scotland. Zappar (Holding) Limited's consolidated financial statements, including the Company's position and results, are available from Companies House. There is no ultimate controlling party.