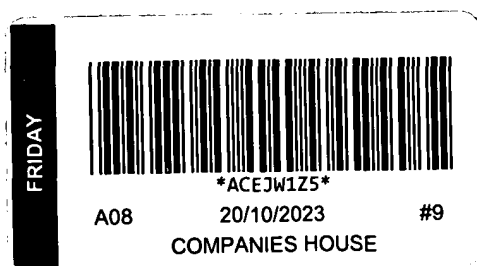


Zappar Limited
Report and Financial Statements
31 March 2023



Zappar Limited

COMPANY INFORMATION

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

Zappar Limited

STRATEGIC REPORT

For the Year Ended 31 March 2023

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 augmented reality on mobile, handheld devices, and head-mounted displays. It is a B2B product.

Zapworks is a subscription-based software tool suite that enables 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 2022/23 was £5.3m, which is an increase of 10% compared to revenue of £4.8m in 2021/22. Zappar Creative Studio accounted for 56% of the revenue, Zapworks for 43% and Zapbox for 1%.

The revenue is split between the United Kingdom (£1.2m), the rest of Europe (£1.8m), and the rest of the world (£2.3m).

The result for 2022/23 was a loss of £0.6m, which is a decrease of £0.6m compared to 2021/22.

The cash balance has decreased by £0.7m during 2022/23 due to the losses. At the end of the year, the financial position is still healthy, with a cash position of £3.8m (including short term investments), which has partly been deposited in money market accounts.

The Company continues to focus and improve on key performance indicators. The Zappar Creative Studio focuses on customer expansion, average project price, margin, and employee productivity, while Zapworks focuses on acquiring new customers, customer retention, and average order value.

The focus in 2023/24 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 investing in the new version of Zapbox. Zapbox commercially launched in June 2023. The Company expects to be loss-making in 2023/24 before returning to profitability in 2024/25.

Principal risks and uncertainties

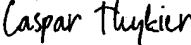
The directors continually identify, evaluate and manage material risks and uncertainties faced by the Company, which could adversely affect the Company's business, operating results, and financial condition. The directors consider the business's principal risks being the macro economical outlook, competition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

Zappor Limited

STRATEGIC REPORT (CONTINUED)
For the Year Ended 31 March 2023

This report was approved by the board on 16 October 2023 and signed on its behalf.

DocuSigned by:

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J C S Thykier
Director

Zappor Limited

DIRECTORS' REPORT

For the Year Ended 31 March 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

Results and dividends

The loss for the year, after taxation, amounted to £578,705 (2022 - £68,379 - profit).

The directors have not recommended a dividend (2022: £nil).

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'. 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.

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.

Zappar Limited

DIRECTORS' REPORT

For the Year Ended 31 March 2023

Disclosure of information to auditors

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

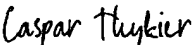
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors 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 16 October 2023 and signed on its behalf.

DocuSigned by:


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J C S Thykier
Director

Zappar Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZAPPAR LIMITED

Opinion

We have audited the financial statements of Zappar Limited for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income, 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 (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 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.

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 Auditors' 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

INDEPENDENT AUDITORS' 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 Auditors' 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZAPPAR LIMITED (CONTINUED)

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. This description forms part of our Auditor's Report.

Zappar Limited

INDEPENDENT AUDITORS' 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

16 October 2023

Zappar Limited**STATEMENT OF COMPREHENSIVE INCOME**
For the Year Ended 31 March 2023

	Note	2023 £	2022 £
Revenue	3	5,313,247	4,822,363
Cost of sales		(1,615,318)	(1,230,140)
Gross profit		3,697,929	3,592,223
Administrative expenses		(4,607,147)	(3,751,364)
Operating loss	4	(909,218)	(159,141)
Interest receivable and similar income		30,281	17
Interest payable and similar expenses	8	-	-
Loss before tax		(878,937)	(159,124)
Tax on loss	9	300,232	227,503
Profit/(loss) for the financial year		(578,705)	68,379

There was no other comprehensive income for 2023 (2022: £NIL).

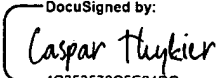
The notes on pages 12 to 27 form part of these financial statements.

Zappar Limited**STATEMENT OF FINANCIAL POSITION**
For the Year Ended 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	10	326,193	320,146
Tangible assets	11	92,710	125,146
Investments in subsidiaries	12	66	66
		418,969	445,358
Current assets			
Inventories	13	173,015	101,138
Trade and other receivables	14	1,919,452	1,875,019
Short term investments	15	2,150,000	-
Cash at hand	15	1,656,075	4,481,754
		5,898,542	6,457,911
Creditors - amounts falling due within one year	16	(1,963,904)	(2,036,382)
Net current assets		3,934,638	4,421,529
Total assets less current liabilities		4,353,607	4,866,887
Creditors - amounts falling due after more than one year	17	(3,322,287)	(3,322,287)
Provisions for liabilities			
Deferred tax	18	(69,907)	(57,878)
Other provisions	19	(25,000)	(25,000)
		(94,907)	(82,878)
Net assets		936,413	1,461,722
Capital and reserves			
Called up share capital	20	200	200
Capital redemption reserve		498,343	498,343
Other reserves		30,000	30,000
Share-based payments		119,857	-
Profit and loss account		288,013	933,179
		936,413	1,461,722

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

J C S Thykier, Director

DocuSigned by:

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The notes on pages 12 to 27 form part of these financial statements.

Zappar Limited**STATEMENT OF CHANGES IN EQUITY**
For the Year Ended 31 March 2023

	Called up share capital £	Capital contribu- tions £	Other reserves £	Share- based payments £	Profit and loss account £	Total equity £
At 1 April 2021	200	498,343	30,000	-	852,800	1,381,343
Profit for the year	-	-	-	-	68,379	68,379
Total comprehensive income for the year	-	-	-	-	68,379	68,379
Credit to equity from share based payment	-	-	-	-	12,000	12,000
At 1 April 2022	200	498,343	30,000	-	933,179	1,461,722
Loss for the year	-	-	-	-	(578,705)	(578,705)
Total comprehensive loss for the year	-	-	-	-	(578,705)	(578,705)
Credit to equity from share based payment	-	-	-	-	53,396	53,396
Reclassification of reserves	-	-	-	119,857	(119,857)	-
At 31 March 2023	200	498,343	30,000	119,857	288,013	936,413

The notes on pages 12 to 27 form part of these financial statements.

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2023
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 Company's principal activity 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 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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2023

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.

Sale of software

For subscription-based SaaS services, revenue is recognised over the contract term as services are provided. The contract term is defined as the period during which the customer has access to and can benefit from the SaaS platform.

The total contract value is recognised as revenue over the contract term on a straight-line basis unless there is evidence that revenue should be recognized differently.

Revenue from professional services, such as training, is recognised when the services are provided and control is transferred to the customer.

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.

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2023

2. Accounting policies (continued)

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.

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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position 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.

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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.

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.

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS **For the Year Ended 31 March 2023**

2. Accounting policies (continued)

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.

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 Statement of Financial Position. 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 Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.15 Share-based payments

Share options in the Parent Company Zappar (Holding) Limited are awarded to employees in the Company. The fair value of the options is determined at the date of grant and charged to profit or loss over the vesting period. The credit entry is recorded in a share-based payments reserve within equity. The fair value is based upon the Black-Scholes model, a well-accepted model for the valuation of share options where no market conditions are attached. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Zappar Limited**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 March 2023**3. Revenue**

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	1,193,371	1,394,681
Rest of Europe	1,775,459	1,314,104
Rest of the world	2,344,417	2,113,578
	5,313,247	4,822,363

4. Operating loss

The operating loss is stated after charging:

	2023	2022
	£	£
Exchange rate differences	(84,819)	(10,777)
Other operating lease rentals	123,677	125,081
Share based payment	53,396	12,000

5. Auditors' remuneration

Fees payable to the Company's auditor and its associates in respect of:

	2023	2022
	£	£
Audit-related assurance services	28,000	25,000
Taxation compliance services	6,000	4,000
All other services	-	-
	34,000	29,000

Zappar Limited**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 March 2023**6. Employees**

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

	2023	2022
	£	£
Wages and salaries	3,543,163	3,021,581
Social security costs	441,028	381,718
Cost of defined contribution scheme	137,057	88,771
	4,121,248	3,492,070

The above is stated after the deduction for capitalised costs of £204,000 (2022: £212,000).

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

	2023	2022
	No.	No.
Average number of employees in the year	64	59

7. Directors' remuneration

	2023	2022
	£	£
Directors' emoluments	463,822	479,585
Company contributions to defined contribution pension schemes	12,679	3,963
	476,501	483,548

During the year, retirement benefits were accruing to 4 directors (2022: 3) in respect of defined contribution pension schemes.

The highest-paid director received a remuneration of £ 159,650 (2022: £173,195).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest-paid director amounted to £4,501 (2022: £1,321).

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2023
8. Interest payable and similar expenses

	2023	2022
	£	£
Other loan interest payable	(498,343)	(498,343)
Loans from group undertakings	498,343	498,343
	<hr/>	<hr/>
	-	-
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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 2023**9. Tax on loss**

	2023	2022
	£	£
Analysis of tax credit for the period		
Current tax		
UK corporation tax at 19%	(315,867)	(221,528)
Adjustments in respect of previous periods	2,290	10
Foreign taxation	1,316	160
Total current tax	(312,261)	(221,358)
Deferred tax		
Origination and reversal of timing differences	(17,609)	(8,448)
Adjustments in respect of previous periods	8,634	2,303
Effect of changes to tax rates	21,004	-
Total deferred tax	12,029	(6,145)
Taxation on loss on ordinary activities	(300,232)	(227,503)
Reconciliation of tax charge		
Loss on ordinary activities before tax	(878,937)	(159,124)
Loss on ordinary activities at standard CT rate of 19%	(166,998)	(30,234)
Effects of:		
Fixed asset differences	(1,986)	-
Expenses not deductible for tax purposes	11,696	-
Adjustments to brought forward values	(2,598)	2,313
Other permanent differences	(16,478)	-
Additional deduction for R&D tax credit refund	(250,914)	(196,996)
Surrender of tax losses for R&D tax credit refund	98,028	-
Foreign tax credits	1,316	160
Adjustments to tax charge in respect of previous periods	10,924	(2,746)
Remeasurement of deferred tax for changes in tax rates	16,778	-
Total tax credit for the period	(300,232)	(227,503)

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2023
10. Intangible assets

	Development £
Cost	
At 1 April 2022	2,057,196
Additions - internal	204,000
	<hr/>
At 31 March 2023	2,261,196
	<hr/>
Amortisation	
At 1 April 2022	1,737,050
Charge for the year	197,953
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At 31 March 2023	1,935,003
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Net book value	
At 31 March 2023	326,193
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At 31 March 2022	320,146
	<hr/>

Zappar Limited**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 March 2023**11. Tangible assets**

	Short-term leasehold property £	Fixtures, fittings and tools £	IT equipment £	Total £
Cost				
At 1 April 2022	37,621	96,587	140,926	275,134
Additions	-	1,732	31,655	33,387
Disposals	-	-	(44,523)	(44,523)
At 31 March 2023	37,621	98,319	128,058	263,998
Depreciation				
At 1 April 2022	37,621	48,763	63,604	149,988
Charge for the year	-	24,570	41,253	65,823
Disposals	-	-	(44,523)	(44,523)
At 31 March 2023	37,621	73,333	60,334	171,288
Net book value				
At 31 March 2023	-	24,986	67,724	92,710
At 31 March 2022	-	47,824	77,322	125,146

12. Investments in subsidiaries

	Subsidiary £
Cost	
At 1 April 2022	66
At 1 March 2023	66

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 2023 were £81,093 (2022: £65,225) and its result for the year was a profit of £14,678 (2022: £9,058).

Zappar Limited**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 March 2023**13. Inventories**

	2023	2022
	£	£
Raw materials and consumables	173,015	101,138
	<u>173,015</u>	<u>101,138</u>

14. Trade and other receivables

	2023	2022
	£	£
Trade debtors	914,763	1,033,419
Other debtors	60,154	34,077
Prepayments and accrued income	409,475	448,740
Tax recoverable	535,060	358,783
	<u>1,919,452</u>	<u>1,875,019</u>

15. Cash at hand and short term investments

	2023	2022
	£	£
Bank deposits	1,656,075	4,481,754
Money market deposits	2,150,000	-
	<u>3,806,075</u>	<u>4,481,754</u>

The money market deposits mature as follows: £375k on 5 May 2023, £375k on 7 August 2023, £700k on 8 November 2023 and £700k on 6 February 2024.

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2023
16. Creditors – amounts falling due within one year

	2023	2022
	£	£
Trade creditors	116,946	112,920
Amounts owed to group undertakings	91,372	40,927
Other taxation and social security	127,733	212,037
Other creditors	159,559	166,770
Accruals and deferred income	1,468,295	1,503,728
	1,963,905	2,036,382

17. Creditors – amounts falling due after more than one year

	2023	2022
	£	£
Amounts owed to group undertakings	3,322,287	3,322,287

Amounts due to group undertakings comprise an intra-group loan with nominal value of £3,820,630 (2022: £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% (2022: 15%). The resulting discount based on the expected repayment profile of the loan, which is treated as a capital contribution reserve, is £498,343 (2022: £498,343).

18. Deferred tax

	2023	2022
	£	£
At beginning of year	57,878	64,023
Charged to income statement	12,029	(6,145)
At end of year	69,907	57,878

The provision of deferred taxation is made up as follows:

Accelerated capital allowances	104,725	75,965
Tax losses carried forward	(16,415)	(1,995)
Other timing differences	(18,403)	(16,092)
	69,907	57,878

Zappar Limited

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2023
19. Other provisions

	Dilapidations £
At 1 April 2022	25,000
Charged to income statement	-
	<hr/>
At 31 March 2023	25,000
	<hr/>

20. Called up share capital

	2023 £	2022 £
Allotted, called up and fully paid		
20,001 (2022: 20,001) Ordinary shares of £0.01 each	200	200
	<hr/>	<hr/>

21. 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 £132,888 (2022: £84,812). Contributions totalling £34,056 (2022: £45,815) were payable to the fund at the Statement of Financial Position date.

22. 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 £
Not later than 1 year	39,375	90,000
Between 1 and 5 years	-	31,125
	<hr/>	<hr/>
	39,375	121,125
	<hr/>	<hr/>

23. 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.

Zappar Limited**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 March 2023**24. Share-based payments**

On 26 September 2013 and 8 September 2017, the Parent Company, Zappar (Holding) Limited, introduced equity-settled Performance Share Plans for the executive directors and other employees in the Company. In accordance with the scheme rules, options are not exercisable until a sale or admission of the Parent Company onto a relevant EEA market. If not exercised, the options will lapse after ten years from the grant date unless special permission from management is given to exercise the options. The options vest on the grant date. Options will lapse if the Company no longer employs the employee.

The share-based payment charge has been disclosed in note 4.

The number and weighted average exercise prices of share options are as follows:

	Weighted avg. exercise price £	Number
Outstanding at 1 April 2022	49.86	11,031
Granted during the year	-	-
Exercised during the year	0.77	(1,678)
Lapsed during the year	0.77	(589)
Outstanding at 31 March 2023	62.56	8,764
Exercisable at 31 March 2023	-	-
Outstanding at 1 April 2021	31.44	6,306
Granted during the year	74.45	5,075
Exercised during the year	-	-
Lapsed during the year	74.45	(350)
Outstanding at 31 March 2022	49.86	11,031
Exercisable at 31 March 2022	-	-