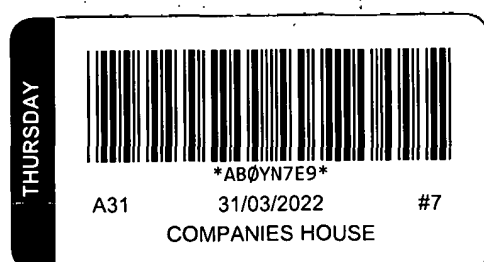


**Zappar Limited**  
Report And Financial Statements  
*31 March 2021*



## **Zappar Limited**

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### **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**

Blick Rothenberg Audit LLP  
16 Great Queen Street  
London  
WC2B 5AH

**Bankers**

HSBC Bank plc  
16 King Street  
London  
WC2E 8JF

## **Zappar Limited**

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### **STRATEGIC REPORT For the Year Ended 31 March 2021**

#### **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 headmounted 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 turnover for 2020/21 was £4.2m, which is a decrease of 10% compared to the turnover of £4.6m in 2019/20. Zappar Creative Studio accounted for 67% of the turnover and ZapWorks for 33%, while the turnover for Zapbox was immaterial.

COVID-19 has impacted the turnover for 2020/21. The uncertainty of the outbreak postponed several significant projects and tightened the budgets of the larger customers.

To reduce the financial impact of COVID-19 and align to the lower activity level, the Company introduced tight expense controls that resulted in significantly lower administrative expenses (13% decrease compared to last year).

The average number of employees decreased from 57 to 55 during the financial year.

The profit for 2020/21 was £0.2m, which is an improvement of £0.1m compared to 2019/20, which is satisfactory given the COVID-19 outbreak.

The cash balance has increased by £0.3m during 2020/21. 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 £3.8m.

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

The main focus in 2021/22 will be to grow the turnover. To drive the growth, the Company will invest in senior people across all the Company's critical functions. Furthermore, the Company will invest in the new version of Zapbox with an expected commercial launch in 2022/23. The Company expects to remain profitable in 2021/22.

#### **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 to be the continued impact of COVID-19, 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 2021**

This report was approved by the board on 30 March 2022 and signed on its behalf.

DocuSigned by:

*Caspar Thykier*

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**J C S Thykier**  
Director

## **Zappar Limited**

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### **DIRECTORS' REPORT For the Year Ended 31 March 2021**

The directors present their report and the financial statements for the year ended 31 March 2021.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £185,693 (2020 - £106,579).

The directors have not recommended a dividend (2020: £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.

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

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### **DIRECTORS' REPORT (CONTINUED)** **For the Year Ended 31 March 2021**

#### **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, Blick Rothenberg Audit 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 30 March 2022 and signed on its behalf.

DocuSigned by:

Caspar Thykier

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J C S Thykier  
Director

## **Zappar Limited**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZAPPAR LIMITED**

#### **Opinion**

We have audited the financial statements of Zappar Limited (the 'Company') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its 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 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 United Kingdom, including the Financial Reporting Council'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.

#### **Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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 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.

### **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 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 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.

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 Auditors' 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 identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, and non-compliance with laws and regulations, our procedures included the following: enquiring of management concerning the Company's policies with regards to identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; enquiring of management concerning the Company's policies detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; enquiring of management concerning the Company's policies in relation to the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; discussing among the engagement team where fraud might occur in the financial statements and any potential indicators of fraud; and obtaining an understanding of the legal and regulatory framework that the Company operates in and focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Company. The key laws and regulations we considered in this context included the UK Companies Act 2006 and applicable tax legislation.

As a result of performing the above we identified manipulation of revenues and the risk of fraud through management override of controls as particular focus areas. Our procedures to respond to risks identified included the following: considering the appropriateness of accounting policies and judgement around revenue recognition; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud, reviewing the bank statements of the Company for evidence of any large or unusual activity which may be indicative of fraud; enquiring of management in relation to any potential litigation and claims; reviewing legal expense accounts and board minutes for indications of the same; and testing the appropriateness of journal entries and other adjustments.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.



Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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 Auditors' Report.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

Alexander Macpherson (Senior Statutory Auditor)  
for and on behalf of  
**Blick Rothenberg Audit LLP**  
Statutory Auditor  
16 Great Queen Street  
London  
WC2B 5AH  
Date: 31 March 20 22

**Zappar Limited****STATEMENT OF COMPREHENSIVE INCOME**  
**For the Year Ended 31 March 2021**

|  | Note | 2021<br>£        | As restated<br>2020<br>£ |
|--|------|------------------|--------------------------|
| Turnover                               | 3    | 4,187,003        | 4,649,712                |
| Cost of sales                          |      | (1,056,456)      | (1,071,603)              |
| <b>Gross profit</b>                    |      | <b>3,130,547</b> | <b>3,578,109</b>         |
| Administrative expenses                |      | (3,110,760)      | (3,573,217)              |
| <b>Operating profit</b>                | 4    | <b>19,787</b>    | <b>4,892</b>             |
| Interest receivable and similar income |      | 5,171            | 12,972                   |
| Interest payable and similar expenses  | 8    | -                | (50)                     |
| <b>Profit before tax</b>               |      | <b>24,958</b>    | <b>17,814</b>            |
| Tax on profit                          | 9    | 160,735          | 88,765                   |
| <b>Profit for the financial year</b>   |      | <b>185,693</b>   | <b>106,579</b>           |

There was no other comprehensive income for 2021 (2020: £NIL).

The notes on pages 11 to 23 form part of these financial statements.

**Zappar Limited**  
**Registered number: SC394617**

**BALANCE SHEET**  
**As at 31 March 2021**

|   | Note | 2021<br>£               | As restated<br>2020<br>£ |
|---|------|-------------------------|--------------------------|
| <b>Fixed assets</b>                                     |      |                         |                          |
| Intangible assets                                       | 10   | 329,920                 | 419,920                  |
| Tangible assets   | 11   | 57,313                  | 84,006                   |
| Investments   | 12   | 66                      | 66                       |
|   |      | <u>387,299</u>          | <u>503,992</u>           |
| <b>Current assets</b>                                   |      |                         |                          |
| Debtors: amounts falling due within one year            | 13   | 2,312,104               | 1,747,296                |
| Cash at bank and in hand                                |      | 3,783,647               | 3,529,603                |
|   |      | <u>6,095,751</u>        | <u>5,276,899</u>         |
| Creditors: amounts falling due within one year          | 14   | (1,690,642)             | (1,174,086)              |
| <b>Net current assets</b>                               |      | <u>4,405,109</u>        | <u>4,102,813</u>         |
| <b>Total assets less current liabilities</b>            |      | <u>4,792,408</u>        | <u>4,606,805</u>         |
| Creditors: amounts falling due after more than one year | 15   | (3,322,287)             | (3,322,287)              |
| <b>Provisions for liabilities</b>                       |      |                         |                          |
| Deferred tax  | 16   | (64,023)                | (89,000)                 |
| Other provisions  | 17   | (24,755)                | (15,000)                 |
|   |      | <u>(88,778)</u>         | <u>(104,000)</u>         |
| <b>Net assets</b>                                       |      | <u><u>1,381,343</u></u> | <u><u>1,180,518</u></u>  |
| <b>Capital and reserves</b>                             |      |                         |                          |
| Called up share capital                                 | 18   | 200                     | 200                      |
| Capital redemption reserve                              |      | 498,343                 | 498,343                  |
| Other reserves  |      | 30,000                  | 30,000                   |
| Profit and loss account                                 |      | 852,800                 | 651,975                  |
|   |      | <u><u>1,381,343</u></u> | <u><u>1,180,518</u></u>  |

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

**J C S Thykier**  
 Director  
 Date:

DocuSigned by:  
*Casper Thykier*  
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 30 March 2022

The notes on pages 11 to 23 form part of these financial statements.

## Zappar Limited

STATEMENT OF CHANGES IN EQUITY  
For the Year Ended 31 March 2021

|  | Called up<br>share capital<br>£ | Capital<br>contributions<br>£ | Other<br>reserves<br>£ | Profit and<br>loss account<br>£ | Total equity<br>£ |
|--|---------------------------------|-------------------------------|------------------------|---------------------------------|-------------------|
| <b>At 1 April 2019</b>                             | 200                             | 433,125                       | 30,000                 | 530,264                         | 993,589           |
| Profit for the year                                | -                               | -                             | -                      | 106,579                         | 106,579           |
| <b>Total comprehensive income for the year</b>     | -                               | -                             | -                      | 106,579                         | 106,579           |
| Credit to equity from share based payment          | -                               | -                             | -                      | 15,132                          | 15,132            |
| Credit to equity from parent company loan discount | -                               | 65,218                        | -                      | -                               | 65,218            |
| <b>At 1 April 2020 (as previously stated)</b>      | 200                             | 498,343                       | 30,000                 | 739,931                         | 1,268,474         |
| Prior year adjustment                              | -                               | -                             | -                      | (87,956)                        | (87,956)          |
| <b>At 1 April 2020 (as restated)</b>               | 200                             | 498,343                       | 30,000                 | 651,975                         | 1,180,518         |
| Profit for the year                                | -                               | -                             | -                      | 185,693                         | 185,693           |
| <b>Total comprehensive income for the year</b>     | -                               | -                             | -                      | 185,693                         | 185,693           |
| Credit to equity from share based payment          | -                               | -                             | -                      | 15,132                          | 15,132            |
| <b>At 31 March 2021</b>                            | 200                             | 498,343                       | 30,000                 | 852,800                         | 1,381,343         |

The notes on pages 11 to 23 form part of these financial statements.

## Zappar Limited

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### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2021

#### 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 26.18(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 2021, 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 2021

#### 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 2021****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 2021****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 and fittings         | - 4 years                    |
| Computer 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 2021****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. Turnover**

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

Analysis of turnover by country of destination:

|                   | 2021             | As restated<br>2020 |
|-------------------|------------------|---------------------|
|                   | £                | £                   |
| United Kingdom    | 1,130,491        | 743,953             |
| Rest of Europe    | 1,214,231        | 1,394,914           |
| Rest of the world | 1,842,281        | 2,510,845           |
|                   | <u>4,187,003</u> | <u>4,649,712</u>    |

**4. Operating profit**

The operating profit is stated after charging:

|                               | 2021           | 2020           |
|-------------------------------|----------------|----------------|
|                               | £              | £              |
| Exchange differences          | 41,403         | (25,539)       |
| Other operating lease rentals | 187,800        | 222,973        |
| Share based payment           | 15,132         | 15,132         |
|                               | <u>244,335</u> | <u>212,566</u> |

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2021****5. Auditors' remuneration****Fees payable to the Company's auditor and its associates in respect of:**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Audit-related assurance services | <b>27,500</b> | <b>10,850</b> |
| Taxation compliance services     | <b>3,150</b>  | <b>2,850</b>  |
| All other services               | <b>1,050</b>  | <b>1,000</b>  |
|                                  | <b>31,700</b> | <b>14,700</b> |

**6. Employees**

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

|                                     | <b>2021</b>      | <b>2020</b>      |
|-------------------------------------|------------------|------------------|
|                                     | <b>£</b>         | <b>£</b>         |
| Wages and salaries                  | <b>2,533,863</b> | <b>2,530,570</b> |
| Social security costs               | <b>368,157</b>   | <b>312,536</b>   |
| Cost of defined contribution scheme | <b>50,030</b>    | <b>44,917</b>    |
|                                     | <b>2,952,050</b> | <b>2,888,023</b> |

The above are stated after deduction for capitalised costs of £196,000 (2020: £276,000).

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

|   | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
|   | <b>No.</b>  | <b>No.</b>  |
| Average number of employees in the year | <b>55</b>   | <b>57</b>   |

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2021****7. Directors' remuneration**

|   | 2021<br>£      | 2020<br>£      |
|---|----------------|----------------|
| Directors' emoluments   | 425,000        | 420,000        |
| Company contributions to defined contribution pension schemes | 3,947          | 3,947          |
|   | <u>428,947</u> | <u>423,947</u> |

During the year, retirement benefits were accruing to 3 directors (2020 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £155,000 (2020 - £150,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,316 (2020 - £1,316).

**8. Interest payable and similar expenses**

|                               | 2021<br>£ | 2020<br>£ |
|-------------------------------|-----------|-----------|
| Bank interest payable         | -         | 50        |
| Other loan interest payable   | (498,343) | (508,126) |
| Loans from group undertakings | 498,343   | 508,126   |
|                               | <u>-</u>  | <u>50</u> |

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 2021****9. Taxation**

|  | 2021<br>£        | 2020<br>£       |
|--|------------------|-----------------|
| <b>Corporation tax</b>                         |                  |                 |
| Current tax on profits for the year            | (124,511)        | (93,000)        |
| Adjustments in respect of previous periods     | (13,099)         | 3,595           |
|  | <u>(137,610)</u> | <u>(89,405)</u> |
| <b>Foreign tax</b>                             |                  |                 |
| Foreign tax on income for the year             | 1,852            | 12,640          |
| <b>Total current tax</b>                       | <u>(135,758)</u> | <u>(76,765)</u> |
| <b>Deferred tax</b>                            |                  |                 |
| Origination and reversal of timing differences | (22,684)         | (12,000)        |
| Changes to tax rates                           | (2,293)          | -               |
| <b>Taxation on loss on ordinary activities</b> | <u>(160,735)</u> | <u>(88,765)</u> |

**Factors affecting tax charge for the year**

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

|  | 2021<br>£        | 2020<br>£       |
|--|------------------|-----------------|
| Profit on ordinary activities before tax   | <u>24,958</u>    | <u>17,814</u>   |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | 4,742            | 3,385           |
| <b>Effects of:</b>   |                  |                 |
| Expenses not deductible for tax purposes   | 8                | 1,262           |
| Capital allowances for year in excess of depreciation  | -                | 8,011           |
| Other timing differences   | (6,349)          | 4,518           |
| Qualifying research and development expenditure  | (147,889)        | (136,821)       |
| Adjustments in respect of prior periods  | (13,099)         | 3,595           |
| Withholding tax suffered   | 1,852            | 10,574          |
| Other differences leading to an increase (decrease) in the tax charge                                      | -                | 16,711          |
| <b>Total tax charge for the year</b>   | <u>(160,735)</u> | <u>(88,765)</u> |

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2021****9. Taxation (continued)****Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**10. Intangible assets**

|                       | <b>Development<br/>£</b> |
|-----------------------|--------------------------|
| <b>Cost</b>           |                          |
| At 1 April 2020       | <b>1,649,196</b>         |
| Additions - internal  | <b>196,000</b>           |
| At 31 March 2021      | <b>1,845,196</b>         |
| <b>Amortisation</b>   |                          |
| At 1 April 2020       | <b>1,229,276</b>         |
| Charge for the year   | <b>286,000</b>           |
| At 31 March 2021      | <b>1,515,276</b>         |
| <b>Net book value</b> |                          |
| At 31 March 2021      | <b>329,920</b>           |
| At 31 March 2020      | <b>419,920</b>           |

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2021****11. Tangible fixed assets**

|                       | Short-term<br>leasehold<br>property<br>£ | Fixtures and<br>fittings<br>£ | Computer<br>equipment<br>£ | Total<br>£ |
|-----------------------|--|-------------------------------|----------------------------|------------|
| <b>Cost</b>           |  |                               |                            |            |
| At 1 April 2020       | 39,340                                   | 53,617                        | 189,927                    | 282,884    |
| Additions             | -  | -                             | 18,288                     | 18,288     |
| At 31 March 2021      | 39,340                                   | 53,617                        | 208,215                    | 301,172    |
| <b>Depreciation</b>   |  |                               |                            |            |
| At 1 April 2020       | 39,339                                   | 32,589                        | 126,950                    | 198,878    |
| Charge for the year   | 1  | 13,221                        | 31,759                     | 44,981     |
| At 31 March 2021      | 39,340                                   | 45,810                        | 158,709                    | 243,859    |
| <b>Net book value</b> |  |                               |                            |            |
| At 31 March 2021      | -  | 7,807                         | 49,506                     | 57,313     |
| At 31 March 2020      | 1  | 21,028                        | 62,977                     | 84,006     |

**12. Fixed asset investments**

|                  | Subsidiary<br>£ |
|------------------|-----------------|
| <b>Cost</b>      |                 |
| At 1 April 2020  | 66              |
| At 31 March 2021 | 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 2021 were £53,418 (2020: £59,863) and its result for the year was a profit of £8,743 (2020: £17,768).

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2021****13. Debtors**

|                                | <b>2021</b>             | <i>As restated</i><br><b>2020</b> |
|--------------------------------|-------------------------|-----------------------------------|
|                                | <b>£</b>                | <b>£</b>                          |
| Trade debtors                  | <b>1,463,278</b>        | 794,534                           |
| Other debtors                  | <b>40,819</b>           | 42,897                            |
| Prepayments and accrued income | <b>577,397</b>          | 816,865                           |
| Tax recoverable                | <b>230,610</b>          | 93,000                            |
|                                | <b><u>2,312,104</u></b> | <b><u>1,747,296</u></b>           |

**14. Creditors: Amounts falling due within one year**

|                                    | <b>2021</b>             | <b>2020</b>             |
|------------------------------------|-------------------------|-------------------------|
|                                    | <b>£</b>                | <b>£</b>                |
| Trade creditors                    | <b>72,740</b>           | 44,567                  |
| Amounts owed to group undertakings | <b>44,857</b>           | 38,259                  |
| Other taxation and social security | <b>93,773</b>           | 115,785                 |
| Other creditors                    | <b>23,318</b>           | 28,379                  |
| Accruals and deferred income       | <b>1,455,954</b>        | 947,096                 |
|                                    | <b><u>1,690,642</u></b> | <b><u>1,174,086</u></b> |

**15. Creditors: Amounts falling due after more than one year**

|                                    | <b>2021</b>             | <b>2020</b>             |
|------------------------------------|-------------------------|-------------------------|
|                                    | <b>£</b>                | <b>£</b>                |
| Amounts owed to group undertakings | <b><u>3,322,287</u></b> | <b><u>3,322,287</u></b> |

Amounts due to group undertakings comprise an intra-group loan with nominal value of £3,820,630 (2020: £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% (2020: 15%). The resulting discount based on the expected repayment profile of the loan, which is treated as a capital contribution reserve, is £498,343 (2020: £498,343).

**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2021****16. Deferred taxation**

|                           | <b>2021</b><br><b>£</b> |
|---------------------------|-------------------------|
| At beginning of year      | (89,000)                |
| Charged to profit or loss | 24,977                  |
| <b>At end of year</b>     | <b>(64,023)</b>         |

The provision for deferred taxation is made up as follows:

|                                | <b>2021</b><br><b>£</b> | <b>2020</b><br><b>£</b> |
|--------------------------------|-------------------------|-------------------------|
| Accelerated capital allowances | (73,575)                | (98,490)                |
| Tax losses carried forward     | 2,638                   | 2,004                   |
| Other timing differences       | 6,914                   | 7,486                   |
|                                | <b>(64,023)</b>         | <b>(89,000)</b>         |

**17. Provisions**

|                               | <b>Dilapidations</b><br><b>£</b> |
|-------------------------------|----------------------------------|
| At 1 April 2020               | 15,000                           |
| Charged to the profit or loss | 9,755                            |
| <b>At 31 March 2021</b>       | <b>24,755</b>                    |

**18. Share capital**

|  | <b>2021</b><br><b>£</b> | <b>2020</b><br><b>£</b> |
|--|-------------------------|-------------------------|
| <b>Allotted, called up and fully paid</b>      |                         |                         |
| 200 (2020 - 200) Ordinary shares of £1.00 each | 200                     | 200                     |



**Zappar Limited****NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 March 2021****19. Prior year adjustment**

Prior to the signing of the 2021 financial statements, the directors became aware that certain amounts within accrued income were not able to be invoiced by the Company. This included £87,956 which had been recognised as revenue prior to 31 March 2020 and which has therefore been included as a prior year adjustment. The effect of this adjustment is to decrease the Company's revenue for the year ended 31 March 2020 by £87,956 and decrease the Company's accrued income and net assets by the same amount as at that date.

**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 £50,030 (2020: £44,917). Contributions totalling £14,655 (2020: £14,306) were payable to the fund at the balance sheet date.

**21. Commitments under operating leases**

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

|                       | 2021<br>£      | 2020<br>£      |
|-----------------------|----------------|----------------|
| Not later than 1 year | <u>169,775</u> | <u>154,477</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.