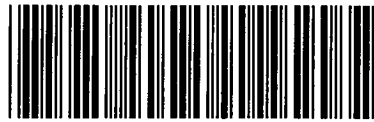


Registered number: SC394617

ZAPPAR LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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ZAPPAR LIMITED

COMPANY INFORMATION

Directors	Jens Caspar Thykier Connell Gould Kirk Ewing Simon Taylor
Registered number	SC394617
Registered office	20 Forth Street Edinburgh EH1 3LH
Independent auditor	Nexia Smith & Williamson Chartered Accountants & Registered Auditors 25 Moorgate London EC2R 6AY

ZAPPAR LIMITED

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ZAPPAR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

The directors present their report and the financial statements for the year ended 31 March 2014.

Directors' responsibilities statement

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

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

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

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

Principal activities

The principal activity of Zappar Limited is the development of augmented reality enabled products and branded entertainment experiences on smartphones and handheld devices.

Directors

The directors who served during the year were:

Jens Caspar Thykier
Connell Gould
Kirk Ewing
Simon Taylor

Exceptional administrative expenses

During the year the Company submitted a proposal to the Horizon 2020 fund for a income grant, for which expenditure of £40,000 has been incurred in the year. The outcome of the grant is unknown at this time.

ZAPPAR LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2014

Disclosure of information to auditor

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


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

Auditor

Under section 487(2) of the Companies Act 2006, Nexia Smith & Williamson will be deemed to have been reappointed as auditor 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.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 15th December 2014 and signed on its behalf.



Jens Caspar Thykier
Director

ZAPPAR LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZAPPAR LIMITED

We have audited the financial statements of Zappar Limited for the year ended 31 March 2014, which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ZAPPAR LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZAPPAR LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.

Nexia Smith & Williamson

Stephen Drew (Senior statutory auditor)

for and on behalf of
Nexia Smith & Williamson

Chartered Accountants
Registered Auditors

25 Moorgate
London

EC2R 6AY

Date: *16 December 2014*

ZAPPAR LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2014 £	2013 £
Turnover	1	718,420	609,441
Administrative expenses		(742,491)	(575,159)
Exceptional administrative expenses	2	(40,000)	-
Total administrative expenses		<u>(782,491)</u>	<u>(575,159)</u>
Operating (loss)/profit	2	(64,071)	34,282
Interest payable and similar charges		(6,360)	(6,048)
(Loss)/profit on ordinary activities before taxation		(70,431)	28,234
Tax on (loss)/profit on ordinary activities	3	36,251	20,891
(Loss)/profit for the financial year	13	<u><u>(34,180)</u></u>	<u><u>49,125</u></u>

All amounts relate to continuing operations. There were no recognised gains or losses for either year other than those included in the profit and loss account.

The notes on pages 8 to 14 form part of these financial statements.

ZAPPAR LIMITED
REGISTERED NUMBER: SC394617

BALANCE SHEET
AS AT 31 MARCH 2014

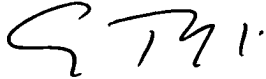
	Note	£	2014 £	£	2013 £
Fixed assets					
Intangible assets	4		1,447		6,247
Tangible assets	5		23,396		27,590
Investments	6		100		100
			<u>24,943</u>		<u>33,937</u>
Current assets					
Debtors	7	350,406		225,843	
Cash at bank		168,947		92,012	
		<u>519,353</u>		<u>317,855</u>	
Creditors: amounts falling due within one year	8	<u>(319,928)</u>		<u>(101,902)</u>	
Net current assets			<u>199,425</u>		<u>215,953</u>
Total assets less current liabilities			<u>224,368</u>		<u>249,890</u>
Creditors: amounts falling due after more than one year	9		(164,510)		(158,150)
Provisions for liabilities					
Deferred tax	10	(4,547)		(6,099)	
Other provisions	11	(6,484)		(2,634)	
			<u>(11,031)</u>		<u>(8,733)</u>
Net assets			<u>48,827</u>		<u>83,007</u>
Capital and reserves					
Called up share capital	12		200		200
Other reserves	13		30,000		30,000
Profit and loss account	13		18,627		52,807
Shareholders' funds			<u>48,827</u>		<u>83,007</u>

ZAPPAR LIMITED

BALANCE SHEET (continued)
AS AT 31 MARCH 2014

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

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



15th December 2014

Jens Caspar Thykier
Director

The notes on pages 8 to 14 form part of these financial statements.

ZAPPAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised by reference to the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement

1.3 INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible assets relate to intellectual property which is stated at cost less amortisation. Amortisation is provided to write off the cost of the intellectual property over the expected useful life, which is 3 years.

1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment	-	25%
------------------	---	-----

1.5 INVESTMENTS

Investments held as fixed assets are shown at cost less provision for impairment.

1.6 OPERATING LEASES

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.7 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

ZAPPAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

1. ACCOUNTING POLICIES (continued)

1.8 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

2. OPERATING (LOSS)/PROFIT

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

	2014 £	2013 £
Depreciation of tangible fixed assets: - owned by the company	10,186	7,200
Auditor's remuneration	8,100	7,800
Directors' emoluments	60,000	60,000
Amortisation of deferred research and development expenditure	4,800	5,000
Difference on foreign exchange	2,963	(4,225)
	<u> </u>	<u> </u>

Exceptional administrative expenses

During the year the Company paid £40,000 (2013: £nil) in relation to a EU grant financing proposal from the Horizon 2020 fund. The outcome of the grant is unknown at this time.

3. TAXATION

	2014 £	2013 £
ANALYSIS OF TAX CREDIT IN THE YEAR		
CURRENT TAX		
UK corporation tax credit on (loss)/profit for the year	(35,180)	(13,686)
Adjustments in respect of prior periods	481	(11,264)
TOTAL CURRENT TAX	<u>(34,699)</u>	<u>(24,950)</u>
DEFERRED TAX (see note 10)		
Origination and reversal of timing differences	(1,552)	4,059
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	<u>(36,251)</u>	<u>(20,891)</u>

ZAPPAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

3. TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 23% (2013 - 24%). The differences are explained below:

	2014 £	2013 £
(Loss)/profit on ordinary activities before tax	<u>(70,431)</u>	<u>28,234</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 - 24%)	(16,199)	6,776
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,887	1,882
Capital allowances for year in excess of depreciation	870	(1,612)
Adjustments to tax charge in respect of prior periods	481	(11,264)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(62,116)	(36,907)
Surrender of tax losses for R&D tax credit refund	38,378	16,175
CURRENT TAX CREDIT FOR THE YEAR (see note above)	<u><u>(34,699)</u></u>	<u><u>(24,950)</u></u>

4. INTANGIBLE FIXED ASSETS

	Develop- ment £
COST	
At 1 April 2013 and 31 March 2014	<u>15,000</u>
AMORTISATION	
At 1 April 2013	8,753
Charge for the year	4,800
At 31 March 2014	<u>13,553</u>
NET BOOK VALUE	
At 31 March 2014	<u>1,447</u>
At 31 March 2013	<u><u>6,247</u></u>

ZAPPAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

5. TANGIBLE FIXED ASSETS

	Office Equipment £
COST	
At 1 April 2013	37,543
Additions	5,992
At 31 March 2014	<u>43,535</u>
DEPRECIATION	
At 1 April 2013	9,953
Charge for the year	10,186
At 31 March 2014	<u>20,139</u>
NET BOOK VALUE	
At 31 March 2014	<u>23,396</u>
<i>At 31 March 2013</i>	<u>27,590</u>

6. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST OR VALUATION	
At 1 April 2013 and 31 March 2014	<u>100</u>
NET BOOK VALUE	
At 31 March 2014	<u>100</u>
<i>At 31 March 2013</i>	<u>100</u>

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Extra Reality Limited	Ordinary	100%

ZAPPAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

7. DEBTORS

	2014 £	2013 £
Trade debtors	261,796	166,038
Other debtors	53,434	34,855
Tax recoverable	35,176	24,950
	<u>350,406</u>	<u>225,843</u>

**8. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2014 £	2013 £
Trade creditors	8,048	8,700
Other taxation and social security	24,684	16,946
Accruals and Deferred income	287,196	73,513
Other creditors	-	2,743
	<u>319,928</u>	<u>101,902</u>

**9. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2014 £	2013 £
Other loans	<u>164,510</u>	<u>158,150</u>

The loan is repayable in November 2036 unless a qualifying event occurs before then, is unsecured and accrues an interest rate of 4% per annum.

10. DEFERRED TAXATION

	2014 £	2013 £
At beginning of year	6,099	2,040
(Released during)/charge for year (P&L)	(1,552)	4,059
	<u>4,547</u>	<u>6,099</u>

ZAPPAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

10. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	<u>4,547</u>	<u>6,099</u>

11. PROVISIONS

	Dilapidation provision £
At 1 April 2013	2,634
Additions	3,850
At 31 March 2014	<u>6,484</u>

12. SHARE CAPITAL

	2014 £	2013 £
ALLOTTED, CALLED UP AND FULLY PAID		
20,001 (2013 - 20,001) Ordinary shares of £0.01 each	<u>200</u>	<u>200</u>

13. RESERVES

	Other reserves £	Profit and loss account £
At 1 April 2013	30,000	52,807
Loss for the financial year	-	(34,180)
At 31 March 2014	<u>30,000</u>	<u>18,627</u>

ZAPPAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

14. OPERATING LEASE COMMITMENTS

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
	£	£
EXPIRY DATE:		
Within 1 year	31,679	-
Between 2 and 5 years	-	43,620

15. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2012 Zappar Limited received a loan for £149,900 from Veemee Limited, a company with common directors. This loan is unsecured and incurs an annual interest charge at a rate of 4%. £6,360 (2013: £6,048) of interest has been accrued during the year and £164,510 (2013: £158,150) is outstanding at the year end.

During the year Veemee Limited paid £31,526 (2013: £2,194) of expenses on behalf of Zappar Limited and Zappar Limited paid £38,749 (2013: £12,907) of expenses on behalf of Veemee Limited. £4,750 (2013: £2,743) is outstanding at the year end which is included in other debtors (2013: other creditors).

16. CONTROLLING PARTY

In the opinion of the directors Zappar (Holding) Limited is the ultimate controlling party.

17. SHARE OPTIONS

On 26 September 2013 the Parent Company, Zappar Holdings Limited, granted 4,080 share options over Shares in the Parent Company to 13 employees of Zappar Limited. The exercise price of the options is £0.77 per share. For the share options to become capable of exercise the employees need to be continuously employed by the Company for 24 months. The share options are not exercisable until a sale or admission of the Company onto a relevant EEA market. If not exercised the share options will lapse after 10 years from grant date.

The Company has not recognised any expense in the financial statements in accordance with the Financial Reporting Standard for Smaller Entities.