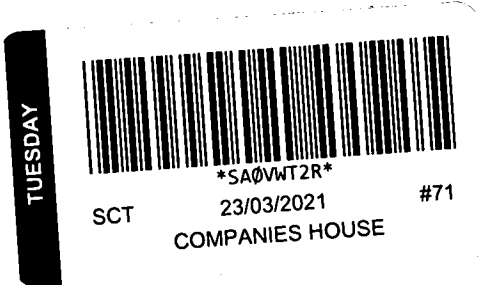


Zappar Limited
Report And Financial Statements
31 March 2020



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	Rees Pollock 35 New Bridge Street London EC4V 6BW
Bankers	HSBC Bank plc 16 King Street London WC2E 8JF

DIRECTORS' REPORT
For the Year Ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

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 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;
- 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.

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

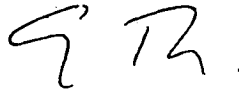
The auditors, Rees Pollock, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
For the Year Ended 31 March 2020

Small companies note

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 17th MARCH 2021 and signed on its behalf.



J C S Thykier
Director

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 2020, 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 2020 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 has 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, 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' exemptions 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 1, 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.

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 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

Rees Pollock

Statutory Auditor

35 New Bridge Street

London

EC4V 6BW

Date:

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 March 2020

	Note	2020 £	2019 £
Turnover		4,737,668	4,652,831
Cost of sales		(1,071,603)	(919,278)
Gross profit		3,666,065	3,733,553
Administrative expenses		(3,573,217)	(3,463,233)
Operating profit		92,848	270,320
Interest receivable and similar income		12,972	-
Interest payable and expenses	5	(50)	(46)
Profit before tax		105,770	270,274
Tax on profit		88,765	74,458
Profit for the financial year		194,535	344,732

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 9 to 18 form part of these financial statements.

BALANCE SHEET
As at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	6	419,920	515,920
Tangible assets	7	84,006	93,329
Investments	8	66	66
		<u>503,992</u>	<u>609,315</u>
Current assets			
Debtors: amounts falling due within one year	9	1,835,252	1,449,652
Bank and cash balances		3,529,603	2,764,429
		<u>5,364,855</u>	<u>4,214,081</u>
Creditors: amounts falling due within one year	10	(1,174,086)	(826,307)
Net current assets		<u>4,190,769</u>	<u>3,387,774</u>
Total assets less current liabilities		<u>4,694,761</u>	<u>3,997,089</u>
Creditors: amounts falling due after more than one year	11	(3,322,287)	(2,887,500)
Provisions for liabilities			
Deferred tax	12	(89,000)	(101,000)
Other provisions	13	(15,000)	(15,000)
		<u>(104,000)</u>	<u>(116,000)</u>
Net assets		<u>1,268,474</u>	<u>993,589</u>
Capital and reserves			
Called up share capital	14	200	200
Capital contributions		498,343	433,125
Other reserves		30,000	30,000
Profit and loss account		739,931	530,264
		<u>1,268,474</u>	<u>993,589</u>

Zappar Limited
Registered number:SC394617

BALANCE SHEET (CONTINUED)
As at 31 March 2020

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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



J C S Thykler
Director
Date: 17 MARCH 2021

The notes on pages 9 to 18 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 March 2020

	Called up share capital £	Capital contribution s £	Other reserves £	Profit and loss account £	Total equity £
At 1 April 2018	200	433,125	30,000	170,391	633,716
Profit for the year	-	-	-	344,732	344,732
Total comprehensive income for the year	-	-	-	344,732	344,732
Credit to equity from share based payment	-	-	-	15,141	15,141
At 1 April 2019	200	433,125	30,000	530,264	993,589
Profit for the year	-	-	-	194,535	194,535
Total comprehensive income for the year	-	-	-	194,535	194,535
Credit to equity from share based payment	-	-	-	15,132	15,132
Credit to equity from parent company loan discount	-	65,218	-	-	65,218
At 31 March 2020	200	498,343	30,000	739,931	1,268,474

The notes on pages 9 to 18 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

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 Section 1A of 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 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.

Like most businesses across the world in 2020 Zappar had to deal with the economic turmoil caused by COVID-19. We're pleased to report that given Zappar's order book going into the pandemic, diversified services and strong client base across sectors we were able to weather the downturn well. With prudent cost control, a strong balance sheet and cash preservation we have been able to maintain our staff and product roadmap through this turbulent period and feel well placed as we see some initial signs of a potential recovery in the global economy with a vaccine on the horizon for 2021.

2.3 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. 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.

2.5 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.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.7 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.

2.8 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 of two 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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.9 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	-	2 years
Fixtures and fittings	-	4 years
Computer equipment	-	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.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.12 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. Auditors' remuneration

	2020	2019
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>10,850</u>	<u>10,850</u>
Fees payable to the Company's auditor and its associates in respect of:		
Taxation compliance services	2,850	2,850
All other services	1,000	1,000
	<u>3,850</u>	<u>3,850</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

4. Employees

The average monthly number of employees, including directors, during the year was 57 (2019 - 47).

5. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	50	46
Gain on re-estimation of cash flows of loan from parent company	(508,126)	(433,125)
Notional interest payable on loan from parent company	508,126	433,125
	<u>50</u>	<u>46</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.

6. Intangible assets

	Development £
Cost	
At 1 April 2019	1,373,196
Additions - internal	276,000
At 31 March 2020	<u>1,649,196</u>
Amortisation	
At 1 April 2019	857,276
Charge for the year	372,000
At 31 March 2020	<u>1,229,276</u>
Net book value	
At 31 March 2020	<u>419,920</u>
At 31 March 2019	<u>515,920</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020
7. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 April 2019	39,340	47,413	162,467	249,220
Additions	-	6,204	27,460	33,664
At 31 March 2020	<u>39,340</u>	<u>53,617</u>	<u>189,927</u>	<u>282,884</u>
Depreciation				
At 1 April 2019	39,339	22,334	94,218	155,891
Charge for the year	-	10,255	32,732	42,987
At 31 March 2020	<u>39,339</u>	<u>32,589</u>	<u>126,950</u>	<u>198,878</u>
Net book value				
At 31 March 2020	<u>1</u>	<u>21,028</u>	<u>62,977</u>	<u>84,006</u>
At 31 March 2019	<u>1</u>	<u>25,079</u>	<u>68,249</u>	<u>93,329</u>

8. Fixed asset investments

	Subsidiary £
Cost	
At 1 April 2019	66
At 31 March 2020	<u>66</u>

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 2020 were £59,863 (2019: £40,601) and its result for the year was a profit of £17,768 (2019: £27,483).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020
9. Debtors

	2020	2019
	£	£
Trade debtors	794,534	445,612
Other debtors	42,897	53,956
Prepayments and accrued income	904,821	880,084
Tax recoverable	93,000	70,000
	<u>1,835,252</u>	<u>1,449,652</u>

10. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	44,567	83,488
Amounts owed to group undertakings	38,259	74,890
Other taxation and social security	115,785	76,963
Other creditors	28,379	29,332
Accruals and deferred income	947,096	561,634
	<u>1,174,086</u>	<u>826,307</u>

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

	2020	2019
	£	£
Amounts owed to group undertakings	<u>3,322,287</u>	<u>2,887,500</u>

Amounts due to group undertakings comprise an intra-group loan with nominal value of £3,820,630 (2019: £3,320,625). 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% (2019: 15%). The resulting discount based on the expected repayment profile of the loan, which is treated as a capital contribution reserve, is £498,343 (2019: £433,125).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

12. Deferred taxation

	2020 £
At beginning of year	(101,000)
Charged to profit or loss	12,000
At end of year	(89,000)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(98,490)	(103,775)
Tax losses carried forward	2,004	1,793
Other timing differences	7,486	982
	(89,000)	(101,000)

13. Provisions

	Dilapidation s £
At 1 April 2019	15,000
At 31 March 2020	15,000

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

14. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
200 (2019 - 200) Ordinary shares of £1.00 each	200	200

15. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	2019
	£	£
Not later than 1 year	154,477	127,525
Later than 1 year and not later than 5 years	-	5,705
	154,477	133,230

16. 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 is exempt from preparing consolidated financial statements due to the group being small. There is no ultimate controlling party.