

# Zappistore Limited

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Report and Financial Statements  
for the year ended 31 December 2019



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**Zappistore Limited**  
Registered number 08185247

## **Directors and advisors**

### **Directors**

D Birch  
D Foreman  
W Kokoszka  
S Phillips

### **Bankers**

Silicon Valley Bank  
Alphabeta  
14-18 Finsbury Square  
London  
EC2A 1BR

### **Registered office**

Theatre House, 97 - 99 Camden High Street  
London  
NW1 7JN  
United Kingdom

### **Independent auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## Strategic report

The directors present their strategic report for the year ended 31 December 2019.

### Principal activities & Business Review

The Company's principal activity is that of an automated software platform provider.

The results for the year ended 31 December 2019 are set out on page 9. These show a loss attributable to shareholders of £1,751,000 (2018: loss £2,579,000.)

Zappistore Limited is a leading provider of Zappi's online self-service research platform that is changing the way that companies access consumer insight. Zappi gives customers access to cost and time benefits of automation, while retaining the high quality of proven research methodologies. The Group has offices in London, Boston, Chicago, Portland, New York, Cape Town, Singapore, Toronto and Hamburg.

The business is monitored and reviewed as a whole, rather than at an entity level - further details for the Group as a whole are discussed in the consolidated financial statements prepared by the ultimate parent company, ZI Group Limited which are obtainable from the address in note 17.

### Key performance indicators and principal risks and uncertainties

Key performance indicators and principal risks and uncertainties for the Group as a whole are discussed in the consolidated financial statements prepared by the ultimate parent company, ZI Group Limited which are obtainable from the address in note 17. A summary of these indicators for the Company is shown below:

#### Principal risks and uncertainties: Global pandemic / COVID-19

A global economic downturn as a direct result of COVID-19 could affect the level of demand for the Zappi's services and the Zappi's customers. The Group's response as a whole to COVID-19, actions taken and impacts felt at the date of this report are discussed in detail in the financial statements of the ultimate parent company, ZI Group Limited.

Any potential impacts of COVID-19 on the Company's ability to trade and also on the going concern assumptions are monitored at a Group level. Similarly, the going concern assessment is made at a Group level and is discussed in detail in the financial statements of the ultimate parent company, ZI Group Limited.

Further, the ultimate parent company, ZI Group Limited, will provide financial support to the Company if this is deemed necessary by the Directors.

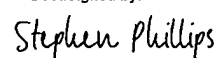
### Key performance indicators

|                                | Year ended<br>31 December<br>2019<br>£'000 | Year ended<br>31 December<br>2018<br>£'000 |
|--------------------------------|--|--|
| <b>Statement of operations</b> |  |  |
| Revenue                        | <b>9,936</b>                               | 10,618                                     |

### Principal risks and uncertainties

The directors of ZI Group Limited (the ultimate parent company) manage risks at a group level rather than an entity level, including financial risk management. For this reason, the Company's directors believe that a separate discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the business. The principal risks of the ZI Group can be found on page 5 of the Report and Financial Statements for the year ended 31 December 2019 of ZI Group Limited.

This strategic report was approved by order of the Board on 6/29/2020

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S Phillips  
Director

Theatre House, 97 - 99 Camden High Street  
London  
NW1 7JN

Date 6/29/2020

## Directors' report

The directors present their directors' report for the year ended 31 December 2019.

### Dividends

The directors do not recommend payment of a dividend (2018: £nil).

### Going concern

The financial statements have been prepared on a going concern basis in view of the fact that ZI Group Limited has formally indicated that it is its present intention not to require repayment of the amounts owed to them by the Company, for at least the next twelve months from the date of signing these financial statements.

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Directors

The directors who held office during the year were as follows:

D Birch  
D Foreman (non-executive)  
W Kokoszka  
S Phillips

### Political donations

The Company did not make any political donations in the year (2018: £nil).

### Research and development

The Group continues to invest in research and development. This has resulted in product and platform improvements which will benefit the Company in the medium to long term. Research costs incurred that did not meet the criteria for capitalisation and were therefore expensed in the period amounted to £3,905,000. (2018 £3,832,000)

### Post balance sheet event

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the UK and around the world. The impact of this is discussed in the financial statements of the ultimate parent company (ZI Group Limited); Directors report ('Going concern statement - COVID-19').

### Future outlook

The directors consider that the Company remains well placed to perform strongly in the future. Having made significant investment in the year into product, platform and people, revenue growth in the Group is expected to continue in 2020 and beyond. With the funding round completed in January 2019, the Company retained its financial stability and ability continue its strategy of investment in platform. Renewal of the Group's banking facilities with Silicon Valley Bank in April 2020 provided access to additional capital (£1m), plus a facility (£5m), to support Zappi's growth plans.

### Disclosure of information to auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

### Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and BDO LLP will therefore continue in office.

### Small company

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

This directors' report was approved by order of the Board on 6/29/2020

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S Phillips  
Director

Theatre House, 97 - 99 Camden High Street  
London  
NW1 7JN

Date 6/29/2020

## **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 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 judgements 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; and
- 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.

## **Independent auditors' report to the members of Zappistore Limited**

### **Opinion**

We have audited the financial statements of Zappistore Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, statement of changes in equity and notes to the financial statements, 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 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

### **Opinions 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 and 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.

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Zappistore Limited  
Registered number 08165217

## Independent auditors' report to the members of Zappistore Limited (continued)

### Responsibilities of Directors

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 are true and fair. The Directors determine it 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.

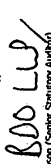
### Auditor's responsibilities for the audit of the financial statements

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 audit opinion based on those objectives. Reasonable assurance is a high level of assurance, but it 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: <https://www.frc.org.uk/about-us/auditors-responsibilities>. This description forms part of our auditor's 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 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.

  
Peter Smithson (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

29 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC395127).

## Statement of comprehensive income

|   | Note | Year ended<br>31 December<br>2019<br>£'000 | Year ended<br>31 December<br>2018<br>£'000 |
|---|------|--|--|
| Turnover  | 3    | 10,966                                     | 13,233                                     |
| Revenue share   |      | (1,030)                                    | (2,615)                                    |
| Revenue   |      | 9,936                                      | 10,618                                     |
| Cost of sales   |      | (2,348)                                    | (2,417)                                    |
| <b>Gross profit</b>   |      | <b>7,588</b>                               | <b>8,201</b>                               |
| Administrative expenses   |      | (9,941)                                    | (11,403)                                   |
| <b>Operating loss / Loss on ordinary activities before taxation</b> |      | <b>(2,353)</b>                             | <b>(3,202)</b>                             |
| Tax on loss on ordinary activities                                  | 6    | 602  | 623  |
| <b>Loss for the financial year</b>                                  |      | <b>(1,751)</b>                             | <b>(2,579)</b>                             |

Notes on pages 12 to 21 form part of the financial statements.

**Balance sheet**

|  | Note | At 31<br>December 2019<br>£'000 | At 31<br>December 2018<br>£'000 |
|--|------|---------------------------------|---------------------------------|
| <b>Fixed assets</b>  |      |                                 |                                 |
| Tangible assets  | 7    | 381                             | 198                             |
| Investments  | 8    | 23                              | 23                              |
|  |      | <b>404</b>                      | 221                             |
| <b>Current assets</b>  |      |                                 |                                 |
| Debtors  | 9    | 4,904                           | 6,368                           |
| Cash at bank and in hand                                       |      | 2,495                           | 387                             |
|  |      | <b>7,399</b>                    | 6,755                           |
| <b>Creditors: amounts falling due within one year</b>          | 10   | <b>(4,523)</b>                  | (5,616)                         |
| <b>Net current assets</b>                                      |      | <b>2,876</b>                    | 1,139                           |
| <b>Total assets less current liabilities</b>                   |      | <b>3,280</b>                    | 1,360                           |
| <b>Creditors: amounts falling due after more than one year</b> | 11   | <b>(11,874)</b>                 | (8,203)                         |
| <b>Net liabilities</b>   |      | <b>(8,594)</b>                  | (6,843)                         |
| <b>Capital and reserves</b>                                    |      |                                 |                                 |
| Called up share capital  | 13   | 12                              | 12                              |
| Share premium  |      | 553                             | 553                             |
| Share option reserve   |      | 160                             | 160                             |
| Profit and loss account  |      | (9,319)                         | (7,568)                         |
| <b>Shareholder's deficit</b>                                   |      | <b>(8,594)</b>                  | (6,843)                         |

The financial statements were approved by the Board of Directors and authorised for issue on 6/29/2020

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 S Phillips  
 Director

Notes on pages 12 to 21 form part of the financial statements.

## Statement of changes in equity

|                             | Called up<br>share capital<br>£'000 | Share<br>premium<br>£'000 | Share<br>option<br>reserve<br>£'000 | Profit and loss<br>account<br>£'000 | Total<br>shareholder's<br>deficit<br>£'000 |
|-----------------------------|-------------------------------------|---------------------------|-------------------------------------|-------------------------------------|--|
| At 1 January 2019           | 12                                  | 553                       | 160                                 | (7,568)                             | (6,843)                                    |
| Loss for the financial year | -                                   | -                         | -                                   | (1,751)                             | (1,751)                                    |
| <b>At 31 December 2019</b>  | <b>12</b>                           | <b>553</b>                | <b>160</b>                          | <b>(9,319)</b>                      | <b>(8,594)</b>                             |

|                             | Called up<br>share capital<br>£'000 | Share<br>premium<br>£'000 | Share<br>option<br>reserve<br>£'000 | Profit and loss<br>account<br>£'000 | Total<br>shareholder's<br>deficit<br>£'000 |
|-----------------------------|-------------------------------------|---------------------------|-------------------------------------|-------------------------------------|--|
| At 1 January 2018           | 12                                  | 553                       | 160                                 | (4,989)                             | (4,264)                                    |
| Loss for the financial year | -                                   | -                         | -                                   | (2,579)                             | (2,579)                                    |
| <b>At 31 December 2018</b>  | <b>12</b>                           | <b>553</b>                | <b>160</b>                          | <b>(7,568)</b>                      | <b>(6,843)</b>                             |

## Notes to the financial statements for the year ended 31 December 2019

### 1 Accounting policies

Zappistore Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the Strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

#### Basis of preparation

These financial statements are presented in Pounds Sterling (£) which is also the functional currency of the Company. Amounts are rounded to the nearest thousand, unless otherwise stated.

The Company has taken advantage of the exemption available under Section 1A Small Entities from preparing a statement of cash flows.

#### Turnover and revenue recognition

Turnover derived from automated market research is recognised at the point at which a project completes. Revenue is the difference between turnover and the revenue share element paid to partners. The primary cost of such projects relates to data from research participants, which is recognised at the same time as turnover. Advance billings are recorded as deferred income and recognised as revenue to the extent that they relate to completed projects.

Turnover for subscription products is recognised over the subscription period on a straight-line basis.

Turnover for software development is recognised based on the percentage of completion.

Turnover for licenced products is recognised based on usage in accordance with contractual terms.

#### Tangible fixed assets

Tangible fixed assets, other than investment properties, 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.

Costs of replacing items of fixed assets are capitalised when they are expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

#### Depreciation

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:

Computer equipment - 3 to 5 years  
Office furniture and equipment - 3 to 5 years  
Motor vehicles - 5 years  
Leasehold improvements - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 within operating expenses in the statement of comprehensive income.

#### Going concern statement

The going concern basis has been adopted in preparing these financial statements. Going concern is considered and monitored at a group level and has been adopted after making enquiries and reviewing the Company and the Group's cash flow forecast for the 12 month period from the date of signing these financial statements, for the Board to consider that the Company and the Group have adequate resources to continue operating for the foreseeable future.

The Directors regularly monitor the Group's short term and long term cash position, in particular revenue forecasts, the Group's cost base and any foreseen impacts on cash. Variability for each of these is modelled to allow the Directors to assess if actions should be taken in order to protect the Group's cash position. These actions have been performed in order for the Board to consider the Company to have adequate resources for the 12 month period from date of signing. In addition to this, the Directors consider the Group's access to external capital by reviewing recent external investments in the Group, access to debt finance and other banking facilities.

Further, the Directors consider the global economic outlook when assessing going concern. This includes the COVID-19 pandemic and its potential impacts - further details, with specific reference to going concern, are mentioned in the Directors report of the ultimate parent company (ZI Group Limited), page 7. The ultimate parent company, ZI Group Limited, will provide financial support to the Company if this is deemed necessary by the Directors.

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### Intangible assets

Internally-generated intangible assets - research and development expenditure. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's product development is recognised only if all of the following conditions are met:

- The product is technically feasible and marketable;
- The company has adequate resources to complete the development of the product;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Capitalised development costs are amortised over the periods the company expects to benefit from selling the products developed. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

#### R&D Tax Credit

The company may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The company accounts for such allowances as tax credits, which means that they are recognised when it is probable that benefit will flow to the Company and that benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect to them are not settled by the balance sheet date, reduce current tax payable.

#### Employee share ownership plan

The cost of issuing share options (in the immediate parent) to employees of the Company is included in equity in the balance sheet under the heading share option reserve.

#### Share based payments

The company issues equity-settled share-based payments to certain employees and consultants. Equity share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the company's estimate of the shares that will eventually vest and adjusted for the effect of non-market vesting conditions.

Fair value is measured by the Black-Scholes valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions.

#### Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling', which is the Company's functional and presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in operating expenses in the statement of comprehensive income.

#### Financial assets

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

#### Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or 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 reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

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

- 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Company can control their reversal and such reversal is not considered probable in the foreseeable future.

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

#### Pension costs

Contributions to the Company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

#### Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

#### Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- Share option reserve represents the cost of the shares of the parent company held by the Employee Share Ownership Plan (ESOP) trust for the purpose of long-term incentive schemes for employees.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the Company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

### 3 Analysis of turnover

Turnover by geographical market is set out below. The principal activity is the provision of automated marketing services.

|                | <b>Year ended<br/>31 December<br/>2019<br/>£'000</b> | Year ended<br>31 December<br>2018<br>£'000 |
|----------------|--|--|
| United Kingdom | 4,800  | 7,157                                      |
| Europe         | 2,729  | 3,475                                      |
| Rest of world  | 3,437  | 2,601                                      |
|                | <b>10,966</b>  | <b>13,233</b>                              |

Turnover is allocated based on the location of the customer.

### 4 Operating loss

This is arrived at after charging/(crediting):

|   | <b>Year ended<br/>31 December<br/>2019<br/>£'000</b> | Year ended<br>31 December<br>2018<br>£'000 |
|---|--|--|
| Research and development - current year spend   | 3,905  | 3,832                                      |
| Depreciation of tangible fixed assets   | 99   | 95   |
| Amortisation of intangible assets   | -  | -  |
| Operating lease expense   | 350  | 325  |
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts | 18   | 18   |
| Fees payable to the Company's auditor and its associates for other services to the Company:             |  |  |
| Taxation compliance services  | 4  | 4  |
| Tax advisory  | 11   | 11   |
| Non-audit services  | 10   | -  |
| Foreign exchange differences  | 28   | 9  |
| Defined contribution pension cost   | 254  | 232  |

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 5 Staff costs

|   | Year ended<br>31 December<br>2019<br>£'000 | Year ended<br>31 December<br>2018<br>£'000 |
|---|--|--|
| Wages and salaries                                | 6,880                                      | 7,122                                      |
| Social security costs                             | 804  | 788  |
| Defined contribution pension scheme (see note 15) | 254  | 232  |
|   | <b>7,938</b>                               | <b>8,142</b>                               |

The average number of employees (including directors) during the year was as follows:

|                               | Year ended<br>31 December<br>2019<br>Number | Year ended<br>31 December<br>2018<br>Number |
|-------------------------------|---|---|
| Directors                     | 3   | 3   |
| Sales, Product and Operations | 101   | 107   |
| Administration                | 11  | 10  |
|                               | <b>115</b>                                  | <b>120</b>                                  |

Directors' remuneration from the Company for the year was as follows:

|                       | Year ended<br>31 December<br>2019<br>£'000 | Year ended<br>31 December<br>2018<br>£'000 |
|-----------------------|--|--|
| Director's emoluments | 356  | 376  |
| Pension allowance     | 69   | 73   |
| Other benefits        | 9  | 5  |
|                       | <b>434</b>                                 | <b>454</b>                                 |

The number of directors to whom retirement benefits are accruing at 31 December 2019 under money purchase schemes amounted to 3 (2018: 3).

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 6 Tax on loss on ordinary activities

|  | Year ended<br>31 December<br>2019<br>£'000 | Year ended<br>31 December<br>2018<br>£'000 |
|--|--|--|
| <b>Analysis of charge in year</b>                              |  |  |
| <i>UK corporation tax</i>                                      |  |  |
| R&D tax credits  | (598)                                      | (602)                                      |
| Adjustment in respect of prior years                           | (4)  | (21)                                       |
| Total current tax  | <b>(602)</b>                               | <b>(623)</b>                               |
| <i>Deferred tax (see note 12)</i>                              |  |  |
| Origination and reversal of timing differences                 | -  | -  |
| Effect of rate change  | -  | -  |
| Adjustments in respect of prior years                          | -  | -  |
| Total deferred tax   | -  | -  |
| <b>Tax on loss on ordinary activities before tax</b>           | <b>(602)</b>                               | <b>(623)</b>                               |
| Reconciliation of effective tax rate                           |  |  |
|  | Year ended<br>31 December<br>2019<br>£'000 | Year ended<br>31 December<br>2018<br>£'000 |
| Loss for the financial year                                    | <b>(2,353)</b>                             | <b>(3,202)</b>                             |
| Total tax expense  | -  | -  |
| Loss on ordinary activities before taxation                    | <b>(2,353)</b>                             | <b>(3,202)</b>                             |
| Tax using the UK corporation tax rate of 19.00% (2018: 19.00%) | <b>(447)</b>                               | <b>(608)</b>                               |
| Fixed asset differences  | 5  | 2  |
| Expenses not deductible for tax purposes                       | 17   | 2  |
| Other permanent differences                                    | -  | -  |
| Other tax adjustments, reliefs and transfers                   | -  | -  |
| Additional deduction for R&D expenditure                       | <b>(443)</b>                               | <b>(451)</b>                               |
| Surrender of tax losses for R&D tax credit refund              | 186  | 195  |
| Adjustments in respect of prior periods                        | <b>(4)</b>                                 | <b>(21)</b>                                |
| Adjust closing deferred tax to average rate                    | -  | 27   |
| Deferred tax not recognised                                    | 84   | 231  |
| <b>Total tax credit</b>  | <b>(602)</b>                               | <b>(623)</b>                               |

Deferred tax assets have been valued at the UK tax rate of 17% (2018: 17.00%)

Deferred tax assets of £1,086,000 (2018: £1,001,000) relating to trading losses have not been recognised as it is not probable that they will be able to be utilised against future taxable profits.

**Notes to the financial statements for the year ended 31 December 2019 (continued)****7 Tangible assets**

|                            | Leasehold improvements | Office Furniture & Equipment<br>£'000 | Motor vehicles<br>£'000 | Computer equipment<br>£'000 | Total<br>£'000 |
|----------------------------|------------------------|---------------------------------------|-------------------------|-----------------------------|----------------|
| <i>Cost or valuation</i>   |                        |                                       |                         |                             |                |
| At 1 January 2019          | 34                     | 42                                    | 91                      | 224                         | 391            |
| Additions                  | 145                    | 78                                    | -                       | 84                          | 307            |
| Disposals                  | (34)                   | (17)                                  | -                       | (6)                         | (57)           |
| <b>At 31 December 2019</b> | <b>145</b>             | <b>103</b>                            | <b>91</b>               | <b>302</b>                  | <b>641</b>     |
| <i>Depreciation</i>        |                        |                                       |                         |                             |                |
| At 1 January 2019          | 11                     | 28                                    | 18                      | 136                         | 193            |
| Provision for year         | 11                     | 12                                    | 18                      | 58                          | 99             |
| Disposals                  | (17)                   | (12)                                  | -                       | (3)                         | (32)           |
| <b>At 31 December 2019</b> | <b>5</b>               | <b>28</b>                             | <b>36</b>               | <b>191</b>                  | <b>260</b>     |
| <b>Net book value</b>      |                        |                                       |                         |                             |                |
| <b>At 31 December 2019</b> | <b>140</b>             | <b>75</b>                             | <b>55</b>               | <b>111</b>                  | <b>381</b>     |
| At 31 December 2018        | 23                     | 14                                    | 73                      | 88                          | 198            |

**8 Investments in subsidiaries**

|   | Shares in subsidiary undertakings<br>£'000 |
|---|--|
| <b>Cost</b>                                   |  |
| <b>At 1 January 2019 and 31 December 2019</b> | <b>23</b>                                  |

The principal undertakings in which the Company's interest at the year end is 20% or more are as follows:

| Name   | Address  | Proportion of voting rights and ordinary share capital held | Nature of business        |
|--|--|---|---------------------------|
| Zappistore Inc.  | Floor 2, 77 Sleeper Street, Boston MA, 02210             | 100%  | Automated market research |
| Zappistore Pte Ltd                                       | 20 Robinson Road, 15-01, Singapore 068913                | 100%  | Automated market research |
| Zappistore (Shanghai) Information Technology Co. Limited | Office 02-223, 696 Weihai Lu, Jing'an District, Shanghai | 100%  | Dormant                   |

**9 Debtors**

|   | At 31 December 2019<br>£'000 | At 31 December 2018<br>£'000 |
|---|------------------------------|------------------------------|
| <i>Amounts falling due within one year:</i> |                              |                              |
| Trade debtors                               | 2,145                        | 4,264                        |
| Amounts owed by group undertakings          | 1,257                        | 707                          |
| Corporation tax recoverable                 | 600                          | 602                          |
| Other debtors                               | 222                          | 110                          |
| Prepayments and accrued income              | 680                          | 685                          |
|   | <b>4,904</b>                 | <b>6,368</b>                 |

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 10 Creditors: amounts falling due within one year

|                                    | At 31<br>December 2019 | At 31<br>December 2018 |
|------------------------------------|------------------------|------------------------|
|                                    | £'000                  | £'000                  |
| Obligations under finance leases   | 19                     | 19                     |
| Trade creditors                    | 1,165                  | 1,527                  |
| Amounts owed to group undertakings | 251                    | 137                    |
| Taxation and social security       | 309                    | 571                    |
| Other creditors                    | 37                     | 30                     |
| Accruals                           | 1,308                  | 1,314                  |
| Deferred income                    | 1,434                  | 2,018                  |
|                                    | <b>4,523</b>           | <b>5,616</b>           |

### 11 Creditors: amounts falling due after more than one year

|                                    | At 31<br>December 2019 | At 31<br>December 2018 |
|------------------------------------|------------------------|------------------------|
|                                    | £'000                  | £'000                  |
| Obligations under finance leases   | 13                     | 32                     |
| Amounts owed to group undertakings | 11,861                 | 8,171                  |
|                                    | <b>11,874</b>          | <b>8,203</b>           |

### 12 Deferred tax

Deferred tax assets of £1,086,000 (2018: £1,001,000) relating to trading losses have not been recognised as it is not probable that they will be able to be utilised against future taxable profits.

### 13 Called up share capital

#### Allotted, called up and fully paid

|                                    | At 31<br>December 2019 | At 31<br>December 2018 |
|------------------------------------|------------------------|------------------------|
|                                    | £'000                  | £'000                  |
| 9,833 Ordinary shares of £1 each   | 10                     | 10                     |
| 2,293 A Ordinary shares of £1 each | 2                      | 2                      |
|                                    | <b>12</b>              | <b>12</b>              |

### 14 Commitments under operating leases

#### Lessee

The Company had minimum lease payments under non-cancellable operating leases as set out below:

|   | Land and Buildings |               | Other         |               |
|---|--------------------|---------------|---------------|---------------|
| Payments due                                      | 2019<br>£'000      | 2018<br>£'000 | 2019<br>£'000 | 2018<br>£'000 |
| Not later than one year                           | 405                | 272           | 58            | 45            |
| Later than one year and not later than five years | 1,514              | 539           | 46            | 92            |
| Later than five years                             | -                  | -             | -             | -             |
|   | <b>1,919</b>       | <b>811</b>    | <b>104</b>    | <b>137</b>    |

### 15 Pension scheme

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. The amount outstanding at the year end was £26,000 (2018: £17,000).

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **16 Related party disclosures**

As the Company is a wholly owned subsidiary of ZI Group Limited, the Company has taken advantage of the exemption contained in FRS 102 section 33.1A and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

### **17 Ultimate parent undertaking and controlling party**

The immediate parent company and ultimate parent company is ZI Group Limited, a company registered in England & Wales (No 09792306). ZI Group Limited prepares group financial statements and copies can be obtained from Theatre House, 97 - 99 Camden High Street, London, NW1 7JN

### **18 Group financial statements**

The Company is exempt from the requirement to prepare consolidated financial statements as it is a wholly owned subsidiary and its immediate parent, ZI Group Limited incorporated in the United Kingdom has prepared consolidated financial statements as disclosed in note 18.

### **19 Post balance sheet event**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the UK and around the world. The impact of this is discussed in the financial statements of the ultimate parent company (ZI Group Limited); Directors report ('Going concern statement - COVID-19').