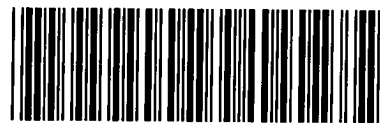


Zappistore Limited
Registered number 08185247

Zappistore Limited

Report and Financial Statements
for the year ended 31 December 2021

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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

Zappistore Limited
Registered number 08185247

Strategic report

The directors present their strategic report for the year ended 31 December 2021.

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 2021 are set out on page 9. These show a loss attributable to shareholders of £9,135,000 (2020: loss £1,418,000.)

The 2020 financial year results are reflective of cuts to spending, as a direct response to the Covid 19 crisis. The 2021 financial year results reflect an increase in spending and new investments, in order to support the business' growth strategy.

Zappistore Limited is a leading provider of Zappi's self-service platform that is changing the way that companies access consumer insight. Zappi's platform takes great thinking and turns it into software, giving customers access to the world's best consumer insights data in real time. The Group has offices in London, Boston and Cape Town.

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 20.

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 20. A summary of these indicators for the Company is shown below:

Principal risks and uncertainties: Ongoing restrictions, associated with the global pandemic / COVID-19

2021 saw an uneven global economic recovery from the effects of COVID-19. Although continuing restrictions and changing circumstances might have affected Zappi's customers, the level of demand for Zappi's services increased. At the date of writing this report COVID-19 restrictions in the UK, where the Company is headquartered, have been removed completely - allowing for a return to pre pandemic levels of uncertainty.

Any potential impacts of external risks 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 31 December 2021 £'000	Year ended 31 December 2020 £'000
Statement of operations		
Revenue	10,866	11,224

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 2021 of ZI Group Limited.

This strategic report was approved by order of the Board on 7th October 2022

DocuSigned by:

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S Phillips
Director

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

Date 7th October 2022

Zappistore Limited
Registered number 08185247

Directors' report

The directors present their directors' report for the year ended 31 December 2021.

Dividends

The directors do not recommend payment of a dividend (2020: £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.

Going concern is reviewed and managed at a group level and further details on the approach to going concern are available in the financial statements for the ultimate parent company, ZI Group Limited, in the Directors' report on page 7.

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 (2020: £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 £4,102,000. (2020 £4,065,000)

Post balance sheet event

On 5th of October 2022, the group restructured its financing and debt facilities with Silicon Valley Bank (SVB) and Kreos Capital. The new structure removes the existing £6m (capped) working capital facility and replaces it with \$20m of debt financing in total. \$15m of term debt is available to draw on or before the 31st of December 2022 (Tranche A). \$5m of term debt is available to draw on or before the 30th of June 2023. The debt is interest only until 30th June 2023, then repayable over 36 months. The minimum draw at close is \$3m and the terms are in line with existing debt.

Future outlook

The Directors consider that the Company remains well placed to continue performing strongly into the future. 2021 was a strong year for the Company and the Group, despite the uncertainty surrounding COVID-19. Revenues continued to grow, with the Directors closely monitoring expenditure and the cash position.

The Company maintains a strong cash position - with £3m of cash on hand at the end of 2021. Furthermore, the Group's renewed banking facilities with Silicon Valley Bank in June 2021 provided access to additional capital in the form of a facility (£7m), which illustrates the Group's ability to source external capital.

Further details for the Group as a whole, including; future outlook, strategy, 2021 performance and the impact of COVID-19 are discussed in the consolidated financial statements prepared by the ultimate parent company, ZI Group Limited in the Strategic and Directors' reports on pages 4 - 7.

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 **7th October 2022**

DocuSigned by:

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S Phillips
Director

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

Date **7th October 2022**

Zappistore Limited
Registered number 08185247

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 on the 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 December 2021 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.

We have audited the financial statements of Zappistore Limited ("the Company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, 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).

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.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and the Directors' 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Zappistore Limited
Registered number 08185247

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 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.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - o Enquiries of management regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
 - o Obtaining an understanding of the legal and regulatory framework in which the Company operates. The key laws considered are accounting standards and the Companies Act 2006.
- We have responded to risks identified by performing procedures including the following:
 - o Enquiry of management concerning actual and potential litigation and claims;
 - o Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud;
 - o Reading the minutes of meetings of those charged with governance; and
 - o Review of financial statements disclosures and testing to supporting documentation.
- We have also considered the risk of fraud through management override of controls by:
 - o Testing on a sample basis the appropriateness of journal entries and other adjustments, and
 - o Assessing whether the judgements made in making accounting estimates are indicative of potential bias.
- We have also considered the risk of fraud through revenue recognition by:
 - o Testing on a sample basis the revenue recognised for the period to supporting documentation, including recalculations of deferred and accrued income where applicable.


Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. 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.

DocuSigned by:


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

07 October 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Turnover	3	10,866	11,224
Revenue		10,866	11,224
Cost of sales		(3,901)	(4,278)
Gross profit		6,965	6,946
Administrative expenses excluding highlighted items		(15,074)	(7,189)
Administrative expenses - highlighted items	5	(1,527)	(1,708)
Administrative expenses		(16,601)	(8,897)
Operating loss excluding highlighted items		(8,109)	(243)
Operating loss	4	(9,636)	(1,951)
Interest payable and similar charges	7	-	(2)
Operating loss / Loss on ordinary activities before taxation		(9,636)	(1,953)
Tax on loss on ordinary activities	8	501	535
Loss for the financial year		(9,135)	(1,418)
Other comprehensive income for the year, net of income tax			
Total comprehensive loss for the year		(9,135)	(1,418)

The Company's results are derived wholly from continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss of the financial year stated above and their historical cost equivalents.

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

Zappistore Limited
Registered number 08185247

Balance sheet

	Note	At 31 December 2021 £'000	At 31 December 2020 £'000
Fixed assets			
Tangible assets	9	312	325
Investments	10	23	23
		335	348
Current assets			
Debtors	11	4,318	5,154
Cash at bank and in hand		2,981	2,676
		7,299	7,830
Creditors: amounts falling due within one year	12	(7,826)	(4,784)
Net current (liabilities)/assets		(527)	3,046
Total assets less current liabilities		(192)	3,394
Creditors: amounts falling due after more than one year	13	(15,720)	(11,698)
Net liabilities		(15,912)	(8,304)
Capital and reserves			
Called up share capital	15	12	12
Share premium		553	553
Share option reserve		3,395	1,868
Profit and loss account		(19,872)	(10,737)
Shareholder's deficit		(15,912)	(8,304)

The financial statements were approved by the Board of Directors and authorised for issue on 7th October 2022

DocuSigned by:

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S Phillips
Director

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

Zappistore Limited
Registered number 08185247

Statement of changes in equity

	Called up share capital £'000	Share premium £'000	Share option reserve £'000	Profit and loss account £'000	Total shareholder's deficit £'000
At 1 January 2021	12	553	1,868	(10,737)	(8,304)
Loss for the financial year	-	-	-	(9,135)	(9,135)
Transactions with owners, recorded directly in equity:					
Share option reserve	-	-	1,527	-	1,527
	-	-	1,527	-	1,527
At 31 December 2021	12	553	3,395	(19,872)	(15,912)

	Called up share capital £'000	Share premium £'000	Share option reserve £'000	Profit and loss account £'000	Total shareholder's deficit £'000
At 1 January 2020	12	553	160	(9,319)	(8,594)
Loss for the financial year	-	-	-	(1,418)	(1,418)
Transactions with owners, recorded directly in equity:					
Share premium	-	-	-	-	-
Share option reserve	-	-	1,708	-	1,708
	-	-	1,708	-	1,708
At 31 December 2020	12	553	1,868	(10,737)	(8,304)

Notes to the financial statements for the year ended 31 December 2021

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 price paid by the customer for the automated market research product. The primary costs of such projects relate to data from research participants and other direct costs from research product partners and third party consultants; primary costs are 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 licensed 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 impact on the wider economy, and the impact of the current market conditions on the ultimate parent company, ZI Group Limited. ZI Group Limited, 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 2021 (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.

Research & Development 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 2021 (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 2021 (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 2021 (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.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
United Kingdom	4,572	3,835
Europe	5,240	3,807
Rest of world	1,054	3,582
	10,866	11,224

Turnover is allocated based on the location of the customer.

4 Operating loss

This is arrived at after charging/(crediting):

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Research and development - current year spend	4,102	4,065
Depreciation of tangible fixed assets	163	147
Amortisation of intangible assets	-	-
Operating lease expense	416	401
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	58	48
Fees payable to the Company's auditor and its associates for other services to the Company:		
Taxation compliance services	31	25
Tax advisory	42	5
Non-audit services	58	8
Foreign exchange differences	185	(18)
Defined contribution pension cost	156	200

Notes to the financial statements for the year ended 31 December 2021 (continued)**5 Highlighted items**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Share Option Costs	1,527	1,708

Highlighted items, which are described below, have been separately identified because of their nature and because they are non-recurring. In the opinion of the directors, these costs are required to be separately identified, to enable a full understanding of the Company's underlying financial performance.

In 2021 the company awarded share options to a number of employees. These options were over ordinary shares in the ultimate parent company, ZI Group Limited. A portion of the share options awarded in 2021 vested in the year, with the remaining portion vesting over the remainder of a three year period that commenced on 20th of July 2021. Employees are not freely able to exercise their vested options and options are only permitted to be exercised under certain non time based conditions.

The share options costs charge recorded in the accounts in 2021 was calculated at fair value using the Black-Scholes valuation model and relates to options awarded to employees of Zappistore Limited. Where options do not vest immediately, the charge is recognised in accordance with FRS 102 (s26), with the option charge being recognised between grant date and vesting date.

Further details on the company's share option scheme are shown in note 16 of these financial statements.

6 Staff costs

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Wages and salaries	10,037	7,726
Social security costs	1,221	930
Defined contribution pension scheme (see note 18)	156	200
	11,414	8,856

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

	Year ended 31 December 2021 Number	Year ended 31 December 2020 Number
Directors	3	3
Sales, Product and Operations	120	103
Administration	18	13
	141	119

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Director's emoluments	480	414
Pension allowance	4	4
Other benefits	10	9
Other emoluments	70	38
	564	465

The number of directors to whom retirement benefits are accruing at 31 December 2021 under money purchase schemes amounted to 3 (2019: 3).

7 Interest payable and similar charges

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Other Interest Payable	-	2
	-	2

Notes to the financial statements for the year ended 31 December 2021 (continued)**8 Tax on loss on ordinary activities**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Analysis of charge in year		
<i>UK corporation tax</i>		
R&D tax credits	(572)	(424)
Adjustment in respect of prior years	71	(111)
Total current tax	(501)	(535)
<i>Deferred tax (see note 14)</i>		
Origination and reversal of timing differences	-	-
Effect of rate change	-	-
Adjustments in respect of prior years	-	-
Total deferred tax	-	-
Tax on loss on ordinary activities before tax	(501)	(535)
Reconciliation of effective tax rate		
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Loss for the financial year	(9,636)	(1,953)
Total tax expense	-	-
Loss on ordinary activities before taxation	(9,636)	(1,953)
Tax using the UK corporation tax rate of 19.00% (2021: 19.00%)	(1,831)	(371)
Fixed asset differences	4	5
Expenses not deductible for tax purposes	291	314
Other permanent differences	2	1
Other tax adjustments, reliefs and transfers	-	-
Additional deduction for R&D expenditure	(424)	(510)
Surrender of tax losses for R&D tax credit refund	177	132
Adjustments in respect of prior periods	71	(111)
Adjust closing deferred tax to average rate	-	-
Deferred tax not recognised	1,209	5
Total tax credit	(501)	(535)

Deferred tax assets have been valued at the UK tax rate of 19% (2020: 19.00%)

Deferred tax assets of £3,055,000 (2020: £1,240,000) 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 2021 (continued)

9 Tangible assets

	Leasehold improvements £'000	Office Furniture & Equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2021	146	113	91	382	732
Additions	3	-	-	147	150
Disposals	-	-	-	-	-
Transfer from group undertakings	-	-	-	-	-
At 31 December 2021	149	113	91	529	882
<i>Depreciation</i>					
At 1 January 2021	34	58	54	261	407
Provision for year	29	29	16	89	163
Disposals	-	-	-	-	-
At 31 December 2021	63	87	70	350	570
Net book value					
At 31 December 2021	86	26	21	179	312
At 31 December 2020	112	55	37	121	325

10 Investments in subsidiaries

	Shares in subsidiary undertakings £'000
<i>Cost</i>	
At 1 January 2021 and 31 December 2021	23

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	16 Raffles Quay, #33-03 Hong Leong Building, Singapore (048581)	100%	Automated market research
Zappistore (Shanghai) Information Technology Co. Limited	Office 02-223, 696 Weihai Lu, Jing'an District, Shanghai	100%	Dormant

11 Debtors

	At 31 December 2021 £'000	At 31 December 2020 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	2,251	3,066
Amounts owed by group undertakings	-	1,098
Corporation tax recoverable	924	424
Other debtors	105	100
Prepayments and accrued income	1,038	466
	4,318	5,154

Notes to the financial statements for the year ended 31 December 2021 (continued)**12 Creditors: amounts falling due within one year**

	At 31 December 2021	At 31 December 2020
	£'000	£'000
Obligations under finance leases	-	-
Trade creditors	1,159	730
Amounts owed to group undertakings	2,711	337
Taxation and social security	419	486
Other creditors	110	70
Accruals	1,290	1,749
Deferred income	2,137	1,412
	7,826	4,784

13 Creditors: amounts falling due after more than one year

	At 31 December 2021	At 31 December 2020
	£'000	£'000
Amounts owed to group undertakings	15,720	11,698
	15,720	11,698

14 Deferred tax

Deferred tax assets of £3,055,000 (2020: £1,240,000) 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.

15 Called up share capital**Allotted, called up and fully paid**

	At 31 December 2021	At 31 December 2020
	£'000	£'000
9,833 Ordinary shares of £1 each	10	10
2,293 A Ordinary shares of £1 each	2	2
	12	12

16 Share based payments

The Group operates an equity-settled share based remuneration scheme for employees. All options are held over ordinary shares.

Share based payments of £1,527,000 (2020: £1,708,000) have been expensed in the statement of comprehensive income for the year. This expense relates to share options awarded to employees of Zappistore Limited.

In 2021 the company awarded share options to a number of employees. These options were over ordinary shares in the ultimate parent company, ZI Group Limited. A portion of the share options awarded in 2021 vested in the year, with the remaining portion vesting over the remainder of a three period that commenced on 20th July 2021. Employees are not freely able to exercise their vested options and options are only permitted to be exercised under certain non time based conditions.

The share options costs charge recorded in the accounts in 2021 was calculated at fair value using the Black-Scholes valuation model. The share options charge is recognised in the accounts of the entity where the employee that has been granted the share options is employed. In 2021, the share options charge recognised relates to options awarded to employees of Zappistore Limited. Where options do not vest immediately, the charge is recognised in accordance with FRS 102 (s26), with the option charge being recognised between grant date and vesting date.

The Black-Scholes option pricing model was used to value the share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted.

The following information is relevant in the determination of the fair value of options granted during the current year under the equity-settled share based remuneration schemes operated by the Group.

Equity-settled	
Weighted average share price at grant date	£35.50
Exercise price	£0.01
Weighted average contractual life (years)	10
Expected volatility	50%
Expected dividend growth rate	nil%
Risk-free interest rate	1.00%

The Group has entered into share based payment transactions with employees and non-employees.

Notes to the financial statements for the year ended 31 December 2021 (continued)**17 Commitments under operating leases****Lessee**

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

	Land and Buildings		Other	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Payments due				
Not later than one year	390	390	8	36
Later than one year and not later than five years	733	1,123	-	16
Later than five years	-	-	-	-
	1,123	1,513	8	52

18 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 £45,000 (2020: £25,000).

19 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).

20 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.

21 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 20.

22 Post balance sheet event

On 5th of October 2022, the group restructured its financing and debt facilities with Silicon Valley Bank (SVB) and Kreos Capital. The new structure removes the existing £6m (capped) working capital facility and replaces it with \$20m of debt financing in total. \$15m of term debt is available to draw on or before the 31st of December 2022 (Tranche A). \$5m of term debt is available to draw on or before the 30th of June 2023. The debt is interest only until 30th June 2023, then repayable over 36 months. The minimum draw at close is \$3m and the terms are in line with existing debt.