ESPIAL LIMITED (FORMERLY ANT SOFTWARE LIMITED)

Report and Financial Statements

31 December 2012

Registered No 2822565

DIRECTORS
G Ralph
M Lobo
C Smith
J Dolvane

SECRETARY
M Lobo

AUDITORS
Ernst & Young LLP
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BANKERS
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DIRECTORS' REPORT

Company Number 2822565

The directors present their report and the financial statements for the year ended 31 December 2012 On 15 February 2013 the company changed its name from ANT Software Limited to Espial Limited This report has been prepared in accordance with the small companies exemption

RESULTS AND DIVIDENDS

The loss for the year, before taxation, amounted to £477,560 (2011 profit of £247,324)

The directors do not recommend the payment of a dividend (2011 £nil)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the development and licensing of software for use in the TV-related consumer electronics market

GOING CONCERN

The company is expected to continue to generate cash flows on its own account for the foreseeable future, but, in the short term, will require working capital support from the parent company, ANT Limited (formerly ANT plc) ANT Limited has confirmed their continued support in the provision of working capital to Espial Limited

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of ANT Limited, 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

RESEARCH AND DEVELOPMENT

The company undertakes continuous research and development activities in order to bring new innovations and to enhance the effectiveness of its software solutions in the consumer electronics market Expenditure on research and development in 2012 amounted to £2,114,627 (2011 £2,610,623)

CREDITOR PAYMENT POLICY

The company does not have a written code or standard on payment practice It negotiates settlement terms with each of its suppliers and payments are then made to suppliers in accordance with those terms provided the supplier has carried out the agreed obligations in a satisfactory manner

At the year end, the company had 45 days' purchases outstanding in trade creditors (2011 61 days)

DIRECTORS

The Directors who served during the year and thereafter were as follows
S A Woodward (resigned 8 August 2012)
P Ingram (resigned 30 September 2012)
G A Ralph (appointed 10 September 2012)
D A Fell (resigned 7 February 2013)
M Lobo
W Barker (resigned 21 March 2012)
R Hoggarth (resigned 4 February 2013)
T Brown (resigned 4 February 2013)
D Kynaston (resigned 4 February 2013)
C Smith (appointed 5 February 2013)
J Dolvane (appointed 5 February 2013)

DIRECTORS' REPORT (CONTINUED)

Company Number 2822565

DIRECTORS' INDEMNITY INSURANCE

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings bought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report

DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and the company's auditor, each of these directors confirms that

- to the best of each directors' knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant information and to establish that the company's auditors are aware of that information

AUDITORS

It should be noted that Ernst and Young LLP will step down as auditor to be replaced by Deloitte LLP the auditor of Espial Inc A resolution to appoint Deloitte LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

On behalf of the board

G A Ralph
Director
26 March 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESPIAL LIMITED

We have audited the financial statements of Espial Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESPIAL LIMITED (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report

Ernst & Young LLP

Tony McCartney (Senior statutory auditor)

for and on behalf of Ernst &Young LLP, Statutory Auditor

Cambridge

26 March 2013

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

	Notes	*2012*	*2011*
		£	*£*
TURNOVER	*2*	**4,099,830**	**4,448,612**
Cost of sales		(822,136)	(808,253)
GROSS PROFIT		**3,277,694**	**3,640,359**
Administrative expenses		(3,762,614)	(3,409,277)
OPERATING (LOSS) / PROFIT	*3*	**(484,920)**	**231,082**
Interest receivable	*6*	7,360	16,242
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(477,560)**	**247,324**
Tax on profit/(loss) on ordinary activities	*7*	293,937	6,733
RETAINED (LOSS) / PROFIT ON ORDINARY ACTIVITIES	*14*	**(183,623)**	**254,057**

All activities relate to continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £183,623 (2011 £254,057 Gain)

BALANCE SHEET
as at 31 December 2012

	Notes	*2012* £	*2011* £
NON CURRENT ASSETS			
Tangible Assets	*8*	298,124	292,646
Debtors amounts falling due after one year		76,335	64,282
		374,459	**356,928**
CURRENT ASSETS			
Debtors amounts falling due within one year	*9*	1,533,866	1,343,245
Cash and short term deposits		844,948	1,255,707
		2,378,814	**2,598,952**
CREDITORS: amounts falling due within one year	*10*	(4,950,119)	(5,350,166)
NET CURRENT LIABILITIES		**(2,571,305)**	**(2,751,214)**
NON CURRENT LIABILITIES			
Provisions for liabilities	*11*	**(418,106)**	**(90,000)**
NET LIABILITIES		**(2,614,952)**	**(2,484,286)**
CAPITAL AND RESERVES			
Called up share capital	*13*	631,454	631,454
Share premium account	*14*	9,787,208	9,787,208
Profit and loss account	*14*	(13,033,614)	(12,902,948)
SHAREHOLDERS' DEFICIT	*14*	**(2,614,952)**	**(2,484,286)**

G Ralph
Director
26 March 2013

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

The company is exempt from the requirement to prepare and deliver group financial statements by virtue of the exemption conferred by Section 401 of the Companies Act 2006 The financial statements give information about the company as an individual undertaking and not about its group

Basis of preparing the financial statements – going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue for the foreseeable future

The company is reliant on the continued support of the ultimate parent undertaking, ANT Limited who have indicated that they will continue such support for the foreseeable future, being no less than 12 months from the date of signing of the financial statements During the year the company achieved a loss of £684,204 (2011 profit of £429,800)

Revenue recognition

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes Amounts receivable consist of royalties, licence fees, professional services and support and maintenance payments

Revenue is recognised for any element of a sale when all of the basic criteria are met for that element, these are given below

- **Licence fees and Royalties** – revenue is recognised when persuasive evidence for the arrangement exists, delivery has occurred, fees are fixed or determinable, non refundable and require no further commitments with the collection being probable Royalties are recognised on receipt of appropriate third party evidence

- **Professional Services** – invoiced in line with customer contracts and recognised on the basis of work performed using the stage of completion method

- **Support and Maintenance** – invoiced in line with customer contracts and recognised over the period covered

Revenue is accrued on the above elements when revenue can be recognised but has not been invoiced Revenue is deferred on the above elements when it has not been recognised but the invoice has been raised Revenue relating to contracts with multiple elements is allocated based on the fair value of each element and is recognised in accordance with the accounting principles for each element described above

Interest Receivable

Interest receivable is recognised using the effective interest method The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to it net carrying amount

Fixed assets

All fixed assets are initially recorded at cost

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows

Leasehold improvements	-	over 5 years
Office equipment	-	over 2 - 5 years
Computer equipment	-	over 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

Research and development costs

Research and development expenditure is charged to the profit and loss account as incurred

Taxation

The Company has taken advantage of the Research and Development (R&D) tax credit scheme that encourages small and medium sized companies to increase their R&D spending A proportion of qualifying expenditure on R&D activities can be deducted when calculating the profit for tax purposes Tax credits are accounted for when it is virtually certain that the cash will be received in return for surrendering tax losses The majority of the qualifying expenditure for the Group is made up by staff costs

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Operating lease agreements

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

Pension costs

The company provides pension arrangements through a defined contribution scheme The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

Share -based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award In all cases, the equity is in the ultimate parent company, ANT Limited and the expense is charged in the financial statements of Espial Limited

Fair value for share options is determined using the Black-Scholes pricing model This model used share price, exercise price, dividend yield, risk free interest rate, expected volatility and expected life of the option to calculate the fair value

No expense is recognised for awards that do not ultimately vest At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of likely achievement of the vesting conditions Vesting conditions include revenue targets and continued employment The movement in the cumulative expense is recognised as a cost on the profit and loss account, with the corresponding entry going to profit and loss account reserves For any instrument that has vested no reversal of charges previously recognised as an expense will occur

Dilapidation

A dilapidation provision is reflected in the Group accounts to take into account the costs that are likely to be incurred on the cessation of the current building lease These have been estimated by a 3rd party and take into account the costs likely to be incurred in reinstating the building back to its original condition

2. SEGMENTAL INFORMATION

Revenue represents the amounts derived from the provision of goods and services which fall within the companies ordinary activities stated net of value added tax

The Company has one segment, the provision of computer software licensing and consultancy, originating from the head office situated in the UK The chief operating decision makers view all current activity as being related to the provision and enablement of licensed IP The Revenue, Result, Total Assets and Liabilities of the Company all relate to this segment and are those reported in the Financial Statements As such no reconciliation of segmental information to the Company's Financial Statements is presented

The Company operates within three geographical markets the United States, Europe and the Rest of the World All of the Company's non-current assets are held in the UK

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

2. SEGMENTAL INFORMATION (CONTINUED)

An analysis of turnover by geographical market is given below

	2012	2011
	£	£
United States	2,112,308	630,801
Europe	448,094	1,680,222
Rest of the World	1,539,428	2,137,589
	4,099,830	4,448,612

An analysis of turnover by type is given below

	2012	2011
	£	£
Licence fee and royalty turnover	3,277,325	3,265,558
Professional services and Support & Maintenance	822,505	1,183,054
	4,099,830	4,448,612

	2012	2011
No of customers contributing more than 10% of revenue	2	3

The percentage contribution to revenue of customers contributing more than 10% in the year was 37% and 16% (2011 11%, 12% and 13%)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

3. OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting)

	2012	*2011*
	£	*£*
Auditors' remuneration		
- audit services – statutory audit	9,000	9,000
- Taxation compliance services	7,500	7,300
- non-audit services	6,000	-
	22,500	16,300
Research and development cost – Customer specific	682,791	550,102
– Generic	1,431,836	2,060,521
Depreciation of owned tangible fixed assets	102,360	149,114
(Gain) / Loss on foreign currency differences	15,764	10,878
(Release) of unutilised provision for dilapidation	-	(90,000)
(Gain) / Loss on forward contract	(3,290)	4,756
Operating lease rentals - land and buildings	165,902	165,902
Loss on disposal of fixed assets	196	-

4. DIRECTORS' EMOLUMENTS

Directors' remuneration and pension entitlements

	2012	*2011*
	£	*£*
Emoluments	249,399	417,453
Company Contributions paid to defined contribution pension schemes	13,880	20,245
	263,279	437,698

During the year 5 of the Directors were members of defined contribution pension Schemes (2011 5)
During the year 0 of the Directors exercised share options in the parent company (2011 0)

The emoluments of the highest paid director are as follows

	2012	*2011*
	£	*£*
Emoluments	142,524	166,180
Company Contributions paid to defined contribution pension schemes	8,076	-
	150,600	166,180

The emoluments figures above excludes amounts relating to Directors who are members of the ANT Limited board, these are included within the ANT Limited accounts A management recharge calculated on a proportional time allocation basis is charged relating to the ANT Limited directors

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

5. STAFF COSTS

	2012	2011
	£	£
Wages and salaries	2,079,749	2,264,198
Social security costs	206,647	244,519
Other pension costs	118,851	123,155
	2,405,247	2,631,871

Included in wages and salaries is a total charge of share-based payments charge of £52,957 (2011 £8,329) arising from transactions accounted for as equity-settled share-based payment transactions

The monthly average number of employees during the year was as follows

	2012	2011
Engineering	28	32
Sales	5	6
Administration	7	8
	40	46

6. INTEREST RECEIVABLE

	2012	2011
	£	£
Bank interest receivable	7,360	16,242

7. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

The tax credit represents

	2012	2011
	£	£
Research and development tax credit	(386,484)	(131,604)
Foreign tax		
Current tax on income for the period	92,547	124,871
Current tax credit for the year	(293,937)	(6,733)

7. TAX ON PROFIT ON ORDINARY ACTIVIES (CONTINUED)

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the United Kingdom The differences are explained below

	2012	*2011*
	£	*£*
(Loss) / Profit on ordinary activities before tax	(477,560)	247,324
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 26 5%)	(117,002)	65,541
Effect of		
Disallowed expenses and non-taxable income	(13,919)	(15,698)
Research and development deduction enhancement	(438,265)	-
Decelerated capital allowances	(4,523)	(7,384)
Tax losses carried forward	1,802	(42,459)
Research and development tax credit	(386,484)	(131,604)
Research and development -losses surrendered	571,907	-
Foreign tax	92,547	124,871
Current tax (credit) for the year	(293,937)	(6,733)

The UK standard rate of corporation tax for 2012 was 24 5% (2011 26 5%)

There are approximately £8 2million (2011 £8 2 million) of tax losses available to be carried forward subject to the agreement of HMRC The company accounts for research and development tax credits when it is virtually certain that the cash will be received in return for surrendering tax losses

Historically, research and development tax claims have resulted in losses being surrendered in return for cash and were accounted for on receipt of cash During the year the Group surrendered £1,037,685 of tax losses in return for £129,711 of cash which related to the R&D tax credit for 2011 (2011 £940,026 losses surrendered for £131,604 relating to 2010 tax credit)

The research and development tax credit claim in relation to 2012 expenditure has been accounted for on an accruals basis The figures above therefore reflect the losses surrendered of £2,334,314 (net £571,907) in relation to the 2012 research and development tax credit claim, which will be surrendered in return for £256,774 of cash

The main rate of UK Corporation tax was reduced to 23% from 1 April 2013

Additional changes to the main rate of UK Corporation Tax are proposed, to reduce the rate to 20% by 1 April 2015 These changes have not been substantively enacted at the balance sheet date and consequently are not included in these financial statements

The above changes can impact the amount of future tax payments

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

8. TANGIBLE FIXED ASSETS

	Leasehold improvements	Office equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2012	229,094	166,902	429,560	825,556
Additions	591	1,451	105,997	108,039
Disposals	-	-	(140,925)	(140,925)
At 31 December 2012	229,685	168,353	394,632	792,670
Depreciation				
At 1 January 2012	14,951	153,401	364,558	532,910
Charge for the year	45,918	5,721	50,721	102,360
Disposals	-	-	(140,724)	(140,724)
At 31 December 2012	60,869	159,122	274,555	494,546
Net book value				
At 31 December 2012	168,816	9,231	120,077	298,124
At 1 January 2012	214,143	13,501	65,002	292,646

9. DEBTORS

	2012	*2011*
	£	£
Trade debtors	358,290	572,505
Prepayments and accrued income	904,378	417,312
Corporation Tax	256,774	-
VAT	90,759	-
	1,610,201	989,817

Included in prepayments and accrued income is an amount of £76,335 which is due after more than one year (2011 £64,282)

10. CREDITORS: amounts falling due within one year

	2012	*2011*
	£	£
Trade creditors	223,786	273,710
Taxation and social security	84,812	89,224
Accruals	263,160	692,239
Deferred income	346,117	425,818
Amounts payable to Group undertakings	4,032,244	3,869,175
	4,950,119	5,350,166

11. PROVISIONS

	2012	2012	2011
Non-Current Provision	£	£	£
	Potential Disputes	*Building*	*Building*
Opening	-	90,000	90,000
Arising during the year	328,106	-	90,000
Utilised	-	-	-
Released	-	-	(90,000)
Closing	328,106	90,000	90,000

The Group has provided an estimated cost of settling disputes with 2 customers relating to contractual issues These costs represent the Directors' best estimate of the likely amounts required to settle these disputes, although at present the timing of any potential cash outflow is currently unknown

The opening provision for 2011 was released on completion of the prior lease on which the Company incurred no dilapidation costs The current dilapidation provision will be utilised on the expiry of the current lease, which has a current maturity date of 22 March 2022 with an optional break clause on the 30 August 2016

12. DEFERRED TAX

Deferred taxation assets provided in the financial statements and the amounts not provided are as follows

	Provided		Not provided	
	2012	*2011*	*2012*	*2011*
	£	£	£	£
Capital allowances in arrears of depreciation	-	-	2,243	170,220
Losses	-	-	1,898,551	2,081,361
	-	-	1,900,794	2,251,581

No deferred tax asset has been recognised in relation to losses carried forward as the Company is historically loss-making The Company will not recognise the deferred tax asset until sufficient taxable profits are available to allow all or part of the deferred tax asset to be utilised

13. SHARE CAPITAL

	2012	*2012*	*2011*	*2011*
	No	*£*	*No*	*£*
Authorised				
Ordinary shares of 5p each	28,000,000	1,400,000	28,000,000	1,400,000
Allotted, called-up and fully paid				
Ordinary shares of 5p each	12,629,097	631,454	12,629,097	631,454

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

13. SHARE CAPITAL (CONTINUED)

The company operates an Enterprise Management Incentive (EMI) share option scheme relating to shares in the parent company for the benefit of all its employees and employees are entitled to participate once they have completed three months' service Options granted to non-UK based employees or in excess of the qualifying limits for EMI are unapproved options for UK tax purposes or are outside the scope of UK taxation

Options granted after March 2005 vest over a three year period, subject to the employee remaining at the company for the duration of this period, and corporate performance criteria based on an increase in group revenues over that period The options expire after 10 years and there are no cash settlement alternatives

The Employee Benefit Trust, managed by an independent trust company, holds 2,728,497 (2011 2,728,497) ordinary shares in the parent company of 5p each, all of which are the subject of options which have been granted and have vested in full The market value of the shares in the parent company at 31 December 2012 was 16 75p per share

The company recognised a total charge of £52,957 (2011 £8,329) in the income statement in respect of options granted to staff

The number of options relating to current employees and non-executive directors over 5p ordinary shares in the parent company granted, exercised or lapsed during the year is as follows

Date granted	Exercise price	As at 1 January 2012	Granted	Exercised	Lapsed	As at 31 December 2011	End Date
Mar 2005	95p	95,263	-	-	-	95,263	Mar 2015
Mar 2005	85p	2,053,700	-	-	(1,421,792)	631,908	Mar 2015
Mar 2005	126p	213,303	-	-	(213,303)	-	Mar 2015
Apr 2009	24 5p	194,000	-	-	(10,000)	184,000	Apr 2019
Apr 2010	29 5p	502,283	-	-	(32,500)	464,783	Mar 2020
Mar 2011	26 5p	996,500	-	-	(330,000)	666,500	Mar 2021
Oct 2011	27p	435,000	-	-	(100,000)	335,000	Oct 2021
Apr 2012	21 75p	-	657,500	-	(115,000)	542,500	Apr 2022
		4,490,049	657,500	-	(2,227,595)	2,919,954	

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

13. SHARE CAPITAL (CONTINUED)

The followıng table shows the number and weıghted average exercıse prıces (WAEP) of movements ın share optıons durıng the year

	2012 No	2012 WAEP	2011 No	2011 WAEP
Outstanding as at 1 January	**4,490,049**	**£0.613**	**3,558,766**	**£0.694**
Granted durıng year	657,500	£0 218	1,541,500	£0 266
Exercısed durıng year	-	-	-	-
Lapsed durıng year	2,227,595	£0 732	(804,217)	£0 304
Outstanding as at 31 December [1]	**2,919,954**	**£0.409**	**4,296,049**	**£0.613**
Exercisable as at 31 December	**1,311,171**	**£0.60**	**2,362,266**	**£0.89**

Included ın the openıng balance ıs 194,000 optıons granted ın Aprıl 2009 where the vestıng crıterıa was changed These had been treated as lapsed ın 2011 accounts

[1] Included ın thıs balance are optıons over 727,171 shares (2011 2,362,266) for whıch no charge has been recognısed ın accordance wıth FRS 20 as the optıons vested before 1 January 2007

For the share optıons outstandıng as at 31 December 2012, the weıghted average remaınıng contractual lıfe ıs 6 6 years (2011 5 9 years)

The weıghted average faır value of optıons granted durıng the year was £0 08 (2011 £0 11)

The faır value of equıty-settled optıons ıs estımated at the date of grant usıng a Black-Scholes model, takıng ınto account the terms and condıtıons on whıch the optıons were granted The followıng table lısts the ınputs to the model used for the year ended 31 December 2012 and 31 December 2011

	Apr 2012	Oct 2011	Mar 2011
Dıvıdend yıeld (%)	0%	0%	0%
Expected share prıce volatılıty (%)	45%	49%	52%
Rısk-free ınterest rate (%)	2%	4%	4%
Expected lıfe of optıon (years)	6	6	6
Weıghted average share prıce (pence)	21 75p	27p	26 5p

The expected lıfe of the optıons ıs an estımate and ıs not necessarıly ındıcatıve of exercıse patterns whıch may occur The expected volatılıty reflects the assumptıon that hıstorıcal volatılıty ıs ındıcatıve of future trends, whıch may not necessarıly be the actual outcome

No other features of optıons granted were ıncorporated ınto the measurement of faır value

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	*Share premium*	*Profit and loss account*	*Total shareholders' funds*
	£	£	£	£
At 1 January 2011	**631,454**	**9,787,208**	**(13,165,334)**	**(2,746,672)**
Share-based payment	-	-	8,329	8,329
Retained profit for the year	-	-	254,057	254,057
At 1 January 2012	**631,454**	**9,787,208**	**(12,902,948)**	**(2,484,286)**
Share-based payment	-	-	52,957	52,957
Loss transferred to reserves	-	-	(183,623)	(183,623)
At 31 December 2012	**631,454**	**9,787,208**	**(13,033,614)**	**(2,614,952)**

15. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2012	2011
	£	£
Expiring within one year	-	-
Expiring within one to two years	-	-
Expiring within two to five years	168,743	168,743
	168,743	168,743

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Amounts contracted for but not provided in the accounts amounted to £nil (2011 £nil)

17. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its directors and employees The assets of the scheme are held separately from those of the company in an independently administered fund At 31 December 2012, there was £12,821 outstanding pension contributions (2011 £nil)

18. CASH FLOW STATEMENT

The company has taken advantage of the exemption allowed under Financial Reporting Standard 1 'Cash flow statement' not to produce a cash flow statement A group cash flow statement is included in the financial statements of ANT plc, the ultimate parent company

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS 8 from disclosing transactions with related parties that are part of the same group

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

20. PRINCIPLE GROUP UNDERTAKINGS

Name of Company	Holding	Country of Registration	Proportion held	Nature of business
ANT Communications Inc	Ordinary shares	USA	100%	Dormant
ANT Employee Benefits Limited	Ordinary shares	UK	100%	Dormant
ANT Software Inc	Ordinary shares	USA	100%	Dormant

21. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking ANT Limited (formerly ANT plc), which is registered in England and Wales It has included the company in its group financial statements, copies of which are available from the registered office

On the 4 February the ultimate controlling party became Espial Inc

22. POST BALANCE SHEET EVENTS

On the 11 January 2013 the majority of the shareholders of ANT Limited voted to accept the offer received from Espial (UK) Ltd, a wholly owned subsidiary of Espial Inc, to acquire their shares This was a cash offer of 20 5p by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006 This scheme became effective on 4 February 2013 and the shares of ANT Limited have been delisted from trading on AIM on 5 February 2013

On acquisition of the company by Espial, on 5 February 2013, all outstanding share options were vested and can be exercised within 90 days thereof, after which point they expire