

# **Espial Limited**

Annual report and financial statements

Registered number 2822565

31 December 2015

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## Director's report

The director presents their report and financial statements for the year ended 31 December 2015.

### Principal activities

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.

### Directors

The directors who served during the year were:

C Smith

J Dolvane

### 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 Espial Group Limited. Espial Group Limited has confirmed their continued support in the provision of working capital to Espial Limited.

### 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 2015 amounted to £371,143 (2014: £1,621,924).

### Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought 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 auditor

The Directors who held office at the date of approval of this Director's report confirm that so far they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

By order of the board

  
C Smith  
Director

Second Floor  
Unit 406 Science Park  
Milton Road  
Cambridge  
CB4 0WW

Company Number: 2822565

29 September 2016

## **Statement of directors' responsibilities in respect of the Directors' Report and 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 they have elected to prepare the financial statements in accordance with applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 estimates that are reasonable and prudent; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **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 2015 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

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



**Richard Bartlett-Rawlings (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Botanic House, 100 Hills Road, Cambridge, CB2 1AR  
30 September 2016

**Profit and Loss Account**  
for the year ended 31 December 2015

		2015	2014
	Note	£	£
Turnover	2	2,856,569	2,643,424
Cost of sales		(579,053)	(469,508)
<b>Gross profit</b>		<b>2,277,516</b>	<b>2,173,916</b>
Administrative expenses		(772,584)	(2,673,756)
<b>Operating profit / (loss)</b>	3	<b>1,504,932</b>	<b>(499,840)</b>
Interest receivable and similar income		669	21
<b>Profit / (Loss) on ordinary activities before taxation</b>		<b>1,505,601</b>	<b>(499,819)</b>
Tax on loss on ordinary activities	5	-	(54,956)
<b>Profit / (Loss) for the financial period</b>	11	<b>1,505,601</b>	<b>(554,775)</b>

There were no other gains or losses other than the gain after taxation for the financial period. Accordingly, a Statement of total Realised Gains and Losses has not been included.

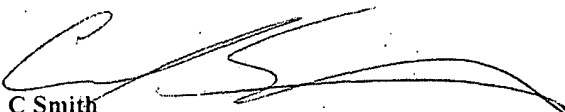
The notes on pages 7 to 13 form an integral part of these financial statements.

**Balance sheet**  
*at 31 December 2015*

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	6	133,005	165,595
<b>Current assets</b>			
Debtors	7	153,305	566,515
Cash at bank		403,420	133,422
		<u>556,725</u>	<u>699,937</u>
Creditors: amounts falling due within one year	8	(2,976,039)	(4,505,136)
<b>Net current liabilities</b>		<u>(2,419,314)</u>	<u>(3,805,199)</u>
<b>Total assets less current liabilities</b>		<u>(2,286,309)</u>	<u>(3,639,604)</u>
<b>Provisions for liabilities</b>			
Other provisions	9	-	(152,306)
<b>Net liabilities</b>		<u>(2,286,309)</u>	<u>(3,791,910)</u>
<b>Capital and reserves</b>			
Called up share capital	10	631,454	631,454
Share premium account	11	9,787,208	9,787,208
Profit and loss account	11	(12,704,971)	(14,210,572)
<b>Shareholders' deficit</b>		<u>(2,286,309)</u>	<u>(3,791,910)</u>

The parent company accounts have been prepared in accordance with the special provisions in part 15 of the Companies Act 2006 relating to small companies.

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

  
**C Smith**  
Director

Date: 29 September 2016

Company registered number: 2822565

The notes on pages 7 to 13 form an integral part of these financial statements.



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

#### 1.2 Cash flow

The financial statements do not include a Cash Flow Statement because the company, as a small reporting entity, is not required to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2015).

#### 1.3 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 parent undertaking, Espial Group 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 incurred a profit of £1,505,601 (2014: a deficit of £554,775).

#### 1.4 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.

#### 1.5 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 its net carrying amount.

#### 1.6 Tangible fixed assets and depreciation

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

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

## Notes (continued)

### 1.6 Tangible fixed assets and depreciation (continued)

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.

### 1.7 Research and development

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

### 1.8 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 are expected to apply in the periods in which timing differences reverse, based on tax and laws enacted or substantively enacted at the balance sheet date.

### 1.9 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.

### 1.10 Operating leases

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

### 1.11 Dilapidation

A dilapidation provision is reflected in the 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 3<sup>rd</sup> party and take into account the costs likely to be incurred in reinstating the building back to its original condition.

**Notes (continued)**

**2 Turnover**

99% of the company's turnover (2014 – 94%) is attributable to geographical markets outside the United Kingdom.

**3 Operating profit (loss)**

The operating profit (loss) is stated after charging:

	2015	2014
	£	£
Auditor's remuneration	22,875	18,500
Depreciation of tangible fixed assets:		
- Owned by the company	115,552	73,225
Research and development costs	371,143	1,621,924
Operating lease rentals – land and buildings	201,759	200,715
	<u>          </u>	<u>          </u>

**4 Directors' remuneration**

	2015	2014
	£	£
Aggregate remuneration – Qualifying services	–	–
	<u>          </u>	<u>          </u>
Compensation for loss of office	–	–
	<u>          </u>	<u>          </u>

During the year retirement benefits were accruing to no directors (2014 – 0) in respect of defined contribution pension schemes. No monies were paid or receivable by directors and no assets (other than money, share options or shares) were received or receivable by directors under long term incentive schemes during the year (2014: £nil).

**5 Taxation**

	2015	2014
	£	£
<b>Analysis of tax charge in the year</b>		
Adjustments in respect of prior periods	–	–
	<u>          </u>	<u>          </u>
Foreign tax on income for the year	–	54,956
	<u>          </u>	<u>          </u>
Tax on loss on ordinary activities	–	54,956
	<u>          </u>	<u>          </u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2014 – higher than) the standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%). The differences are explained below:

Notes (continued)

5 Taxation (continued)

	2015 £	2014 £
Profit (Loss) on ordinary activities before tax	1,505,601	(499,819)
Profit (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	<u>304,833</u>	<u>(107,427)</u>
<b>Effects of:</b>		
Fixed asset differences	543	1,435
Expenses not deductible for tax purposes	-	1,909
Income not taxable for tax purposes	-	(11,812)
Other permanent differences	(3,288)	-
Foreign tax credits	-	54,956
Adjust closing deferred tax to average rate of 20.25%	176,226	140,174
Adjust opening deferred tax to average rate of 20.25%	(23,021)	(132,088)
Deferred tax not utilized	<u>(455,293)</u>	<u>107,809</u>
<b>Current tax charge for the year (see note above)</b>	<u>-</u>	<u>54,956</u>

Factors that may affect future tax charges

The company has approximately £104,845 (2014: £57,977) of capital allowances in arrears of depreciation and £7,739,372 (2014: £9,278,287) of tax losses carried forward. No deferred tax asset has been recognised in relation to these items as there is uncertainty over the timing of the utilisation of these amounts.

The current U.K. corporate tax rate that has been used for the period is a blended rate of 20.25% (2014: 21.5%). This is on the basis that the rate changed from 21% to 20% as of 1 April 2015.

In addition, a further reduction to the main rate is proposed to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. This further change was substantively enacted on 26 October 2015, before the balance sheet date, and therefore has been included in these financial statements.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016 and substantively enacted on 6 September 2016. Such changes are not expected to have a significant effect on the deferred tax balances.

Notes (continued)

**6 Tangible fixed assets**

	Leasehold Improvements £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2015	164,988	8,806	164,226	338,020
Additions	-	-	82,962	82,962
Written off	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	<b>164,988</b>	<b>8,806</b>	<b>247,188</b>	<b>420,982</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2015	88,189	5,499	78,737	172,425
Charge for the year	76,799	662	38,091	115,552
Written off	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	<b>164,988</b>	<b>6,161</b>	<b>116,828</b>	<b>287,977</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2015	-	2,645	130,360	133,005
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	76,799	3,307	85,489	165,595
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**7 Debtors**

	2015 £	2014 £
Trade debtors	52,235	349,780
Other debtors	101,070	216,735
	<u>153,305</u>	<u>566,515</u>

**8 Creditors:**

**Amounts falling due within one year**

	2015 £	2014 £
Trade creditors	114,390	119,415
Amounts owed to group undertakings	2,493,610	3,726,087
Other taxation and social security	11,338	44,757
Other creditors	356,701	614,877
	<u>2,976,039</u>	<u>4,505,136</u>

**9 Provisions**

	Potential Disputes £	Building £	Total £
At 1 January 2015	62,306	90,000	152,306
Amounts used	(62,306)	(90,000)	(152,306)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2015	-	-	-

**Potential Disputes**

From time to time the Company is involved in claims or disputes in the normal course of business. In the prior year, management provided for two claims by customers. Both claims have been settled in the current period. No further claims have arisen which would require further provision.

**Building**

The dilapidation provision was expected to be utilised on the expiry of the old lease, which had a maturity date of 22 March 2022 with an optional break clause on the 30 August 2016. This dilapidation provision was released during 2015 as the old lease was terminated. The company has no responsibility to rehabilitate property under the new leases signed during the 2015 financial year.

**Notes (continued)**

**10 Share capital**

	2015 £	2014 £
<b>Authorised</b>		
28,000,000 Ordinary shares of £0.05 each	1,400,000	1,400,00
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
12,629,099 Ordinary shared of £0.05 each	631,454	631,454
	<u>          </u>	<u>          </u>

**11 Reserves**

	Share premium account £	Profit and loss account £
At 1 January 2015	9,787,208	(14,210,572)
Profit for the financial year	-	1,505,601
	<u>          </u>	<u>          </u>
At 31 December 2015	9,787,208	(12,704,971)
	<u>          </u>	<u>          </u>

**12 Operating lease commitments**

At 31 December 2015 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2015 £	2014 £
<b>Expiry date:</b>		
Within 1 year	143,609	150,663
Between 2 and 5 years	626,658	-
In excess of 5 years	430,827	-
	<u>          </u>	<u>          </u>

**13 Related party transactions**

The company has taken advantage of the exemption conferred by the Financial Reporting Standard for Smaller Entities from disclosing transactions with related parties that are part of the same group.

**14 Ultimate parent undertaking and controlling party**

The company's immediate parent undertaking is Espial Group Limited, a company registered in England. The ultimate parent undertaking and controlling party at 31 December 2015 is Espial Group Inc, a company registered in Canada. Copies of its group accounts, which are publicly available, and which include the company, can be obtained from Espial Group Inc, 200 Elgin Street, Suite 1000, Ottawa, Ontario, Canada, K2P 1L5.