

Espial Limited

Annual report and financial statements

Registered number 02822565

Year Ended 31 December 2016

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Director's Report

The directors present their report and financial statements for the year ended 31 December 2016.

Directors

The directors who served during the year were:

C Smith

J Dolvane

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.

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 2016 amounted to £569,846 (2015: £371,143).

Political and charitable contributions

The company made no charitable contributions during the year (2015: £nil) and no political contributions (2015: £nil).

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.

Auditor

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

Small company provisions

This report has been prepared in accordance with the small companies' exemption under 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: 02822565

28 September 2017

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Section 1A of FRS 102 *the Financial Reporting Standard applicable in the UK and Republic of Ireland* (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;
- 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 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.

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

The directors have chosen not to include a strategic report using the small companies exemption.

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 2016 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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 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.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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.

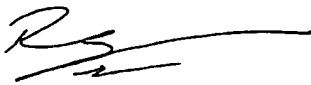
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- 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
for and on behalf of KPMG LLP (Statutory Auditor)
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR
29 September 2017

Profit and Loss Account
for the year ended 31 December 2016

		2016	2015
	<i>Note</i>	£	£
Turnover	2	1,915,543	2,856,569
Cost of sales		(376,548)	(579,053)
		<hr/>	<hr/>
Gross profit		1,538,995	2,277,516
Administrative expenses		(1,008,190)	(772,584)
		<hr/>	<hr/>
Operating profit	3	530,805	1,504,932
Interest receivable and similar income		46	669
		<hr/>	<hr/>
Profit on ordinary activities before taxation		530,851	1,505,601
Tax on loss on ordinary activities	5	-	-
		<hr/>	<hr/>
Profit for the financial period		530,851	1,505,601
		<hr/> <hr/>	<hr/> <hr/>

Turnover and operating profit derive wholly from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 7 to 14 form part of these financial statements.

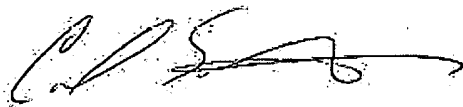
Balance sheet
at 31 December 2016

	Note	2016	2015
		£	£
Fixed assets			
Intangible assets	6	37,324	53,320
Tangible assets	7	90,620	79,685
		<u>127,944</u>	<u>133,005</u>
Current assets			
Debtors	8	916,482	153,305
Cash at bank and in hand		217,277	403,420
		<u>1,133,759</u>	<u>556,725</u>
Creditors: amounts falling due within one year	9	<u>(3,017,160)</u>	<u>(2,976,039)</u>
Net current liabilities		<u>(1,883,401)</u>	<u>(2,419,314)</u>
Total assets less current liabilities		<u>(1,755,457)</u>	<u>(2,286,309)</u>
Net liabilities		<u>(1,755,457)</u>	<u>(2,286,309)</u>
Capital and reserves			
Called up share capital	10	631,454	631,454
Share premium account	11	9,787,208	9,787,208
Profit and loss account	11	(12,174,119)	(12,704,971)
Shareholders' deficit		<u>(1,755,457)</u>	<u>(2,286,309)</u>

The notes on pages 7 to 14 form part of these financial statements

These accounts have been prepared under the special provision in Part 15 of the Companies Act 2006 relating to small companies and in accordance with the provisions of FRS 102 Section 1A – small entities.

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



C Smith
Director

Date: 28 September 2017

Company registered number: 02822565

Notes

(forming part of the financial statements)

1 Accounting policies

1.1 Basis of preparation of financial statements

These financial statements were prepared in accordance with Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities) ("Section 1A of FRS 102") as issued in August 2014. The amendments to Section 1A of FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling).

In the transition to FRS 102 from the Financial Reporting Standard for Smaller Entities ("FRSSE"), the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 15.

The financial statements are prepared on the historical cost basis.

1.2 Cash flow

The directors have taken advantage of the exemption in Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

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 £530,851 (2015: £1,505,601).

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.

Notes (continued)

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 the term of the lease
- 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.

1.6 Research and development

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

1.7 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.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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.

1.8 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.

1.9 Operating leases

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

1.10 Basic financial instruments

Trade and other debtors / creditors

Other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes (continued)

2 Turnover

98% of the company's turnover (2015 – 99%) is attributable to geographical markets outside the United Kingdom.

3 Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Auditor's remuneration	27,847	22,875
Depreciation of tangible fixed assets:		
- Owned by the company	29,516	102,592
Amortisation of intangible assets:		
- Owned by the company	15,996	12,960
Research and development costs	569,846	371,143
Operating lease rentals – land and buildings	219,710	201,759
	<u> </u>	<u> </u>

4 Directors' remuneration

	2016 £	2015 £
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 (2015 – nil) 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 (2015: £nil).

5 Taxation

	2016 £	2015 £
Analysis of tax charge in the year		
Adjustments in respect of prior periods	-	-
	<u> </u>	<u> </u>
Foreign tax on income for the year	-	-
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	-	-
	<u> </u>	<u> </u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 – higher than) the standard rate of corporation tax in the UK of 20.00% (2015 – 20.25%). The differences are explained below:

Notes (continued)

5 Taxation (continued)

	2016	2015
	£	£
Profit on ordinary activities before tax	530,851	1,505,601
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	106,170	304,833
Effects of:		
Fixed asset differences	220	543
Other permanent differences	-	(3,288)
Adjustments to tax charge in respect of previous periods	-	-
Adjust closing deferred tax to average rate of 20.00%	219,376	176,226
Adjust opening deferred tax to average rate of 20.00%	(156,890)	(23,021)
Deferred tax not utilized	(168,876)	(455,293)
Current tax charge for the year (see note above)	-	-

Factors that may affect future tax charges

The company has approximately £149,257 (2015: £104,845) of capital allowances in arrears of depreciation and £7,163,293 (2015: £7,739,372) 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 20.00% (2015: 20.25%). 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 Intangible assets and goodwill

	Total £
Cost	
At beginning of year	95,425
Additions	-
	<hr/>
At end of year	95,425
	<hr/>
Amortisation	
At beginning of year	42,105
Charged in year	15,996
	<hr/>
At end of year	58,101
	<hr/>
Net book value	
At 31 December 2016	37,324
	<hr/>
At 31 December 2015	53,320
	<hr/>

7 Tangible fixed assets

	Leasehold Improvements £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 January 2016	164,988	8,806	151,762	325,556
Additions	8,615	558	31,278	40,451
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	173,603	9,364	183,040	366,007
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2016	164,988	6,161	74,722	245,871
Charge for the year	1,100	612	27,804	29,516
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	166,088	6,773	102,526	275,387
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2016	7,515	2,591	80,514	90,620
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	-	2,645	77,040	79,685
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

8 Debtors

	2016	2015
	£	£
Trade debtors	491,944	52,235
Other debtors	424,538	101,070
	<u>916,482</u>	<u>153,305</u>

9 Creditors

Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	63,885	114,390
Amounts owed to group undertakings	2,561,975	2,493,610
Other taxation and social security	(1,003)	11,338
Other creditors	392,303	356,701
	<u>3,017,160</u>	<u>2,976,039</u>

10 Share capital

	2016	2015
	£	£
Authorised		
28,000,000 Ordinary shares of £0.05 each	1,400,000	1,400,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
12,629,099 Ordinary shares of £0.05 each	631,454	631,454
	<u> </u>	<u> </u>

11 Reserves

	Share premium account	Profit and loss account
	£	£
At 1 January 2016	9,787,208	(12,704,970)
Profit for the financial year	-	530,851
	<u> </u>	<u> </u>
At 31 December 2016	9,787,208	(12,174,119)
	<u> </u>	<u> </u>

12 Operating lease commitments

At 31 December 2016 the company had annual commitments under non-cancellable operating leases as follows:

	2016	2015
	£	£
Land and buildings		
Operating leases which expire:		
Less than one year	156,665	143,609
Between one and five years	626,658	626,658
More than five years	274,163	430,827
	<u> </u>	<u> </u>

Notes (continued)

1,057,486	1,201,094
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13 Related party transactions

The company has taken advantage of the exemption in FRS102 section 33.1A "Related Party Disclosures" from disclosing transactions with other members of the 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 2016 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.

15 Explanation of transition to FRS 102 from FRSSE

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102 1A.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2016 and the comparative information presented in these financial statements for the year ended 31 December 2015.

An explanation of how the transition from FRSSE to FRS 102 1A has affected the Company's financial position and financial performance is set out in the following tables.

Notes to the reconciliation of equity and profit and loss

- a) On transition to FRS 102 1A from the FRSSE the accounting software assets were amended so that on transition software assets are classified as intangible assets rather than tangible fixed assets. Consequently, a transition adjustment has been processed to reflect this change in treatment. Amortisation and depreciation was also adjusted within administration expenses with a £nil effect on operating profit.

Reconciliation of loss for 31 December 2015

	Note	FRSSE	Transition adjustment	FRS 102 1A
		£	£	£
Administration expenses	a	(772,584)	-	(772,584)
Operating profit		1,504,932	-	1,504,932
Interest receivable and similar income		669		669
Profit before taxation		1,505,601	-	1,505,601
Tax on profit		-		-
Profit for the year		1,505,601	-	1,505,601

15 Explanation of transition to FRS 102 from FRSSE (continued)

		1 January 2015			31 December 2016		
		FRSSE	Transition adjustment	FRS 102 1A	FRSSE	Transition adjustment	FRS 102 1A
<i>Reconciliation of equity:</i>		£	£	£	£	£	£
	<i>Note</i>						
Fixed assets							
Intangible assets	<i>a</i>	-	20,121	20,121	-	53,320	53,320
Tangible fixed assets	<i>a</i>	165,595	145,474	145,474	133,005	79,685	79,685
		<u>165,595</u>		<u>165,595</u>			<u>133,005</u>
Current assets							
Debtors		566,515	-	566,515	153,305	-	153,305
Cash at bank		133,422	-	133,422	403,420	-	403,420
		<u>699,937</u>		<u>699,937</u>	<u>556,725</u>	-	<u>556,725</u>
Creditors: amounts due within one year		(4,505,136)	-	(4,505,136)	(2,976,039)	-	(2,976,039)
Net current liabilities		<u>(3,805,199)</u>	-	<u>(3,805,199)</u>	<u>(2,419,314)</u>	-	<u>(2,419,314)</u>
Total assets less current liabilities		<u>(3,639,604)</u>	-	<u>(3,639,604)</u>	<u>(2,286,309)</u>	-	<u>(2,286,309)</u>
Provisions for liabilities							
Other provisions		(152,306)	-	(152,306)	-	-	-
Net liabilities		<u>(3,791,910)</u>	-	<u>(3,791,910)</u>	<u>(2,286,309)</u>	-	<u>(2,286,309)</u>
Capital and reserves							
Called up share capital		631,454	-	631,454	631,454	-	631,454
Share premium account		9,787,208	-	9,787,208	9,787,208	-	9,787,208
Profit and loss account		(14,210,572)	-	(14,210,572)	(12,409,971)	-	(12,704,971)
Shareholders' deficit		<u>(3,791,910)</u>	-	<u>(3,791,910)</u>	<u>(2,286,309)</u>	-	<u>(2,286,309)</u>