

**Registered number: 2822565**

**Espial Limited**

**Unaudited**

**Directors' report and financial statements**

**for the year ended 31 December 2014**

**WEDNESDAY**



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**Espial Limited**

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**Company Information**

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**Directors**

C Smith  
J Dolvane

**Registered number**

2822565

**Registered office**

1st Floor  
335 Cambridge Science Park  
Milton Road  
Cambridge  
CB4 0WN

**Bankers**

Barclays Bank  
58 High Street  
Newmarket  
Suffolk  
CB8 8NH

**Solicitors**

Charles Russell LLP  
8 - 10 New Fetter Lane  
London  
EC4A 1RS

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**Espial Limited**

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**Directors' report  
for the year ended 31 December 2014**

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The directors present their report and the financial statements for the year ended 31 December 2014.

**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 2014 amounted to £1,621,924 (2013: £1,531,211).

**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.

The directors have taken advantage of the small companies exemption provided by Section 414B of the Companies Act 2006 not to provide a Strategic Report.

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

This report was approved by the board on *September 28, 2015* and signed on its behalf.

  
C Smith  
Director

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**Espial Limited**

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**Profit and loss account  
for the year ended 31 December 2014**

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	Note	2014 £	2013 £
<b>Turnover</b>	1	2,643,424	3,350,693
Cost of sales		(469,508)	(292,138)
<b>Gross profit</b>		2,173,916	3,058,555
Administrative expenses		(2,673,756)	(3,539,400)
<b>Operating loss</b>	3	(499,840)	(480,845)
Interest receivable and similar income		21	408
<b>Loss on ordinary activities before taxation</b>		(499,819)	(480,437)
Tax on loss on ordinary activities	5	(54,956)	(141,746)
<b>Loss for the financial year</b>	11	<u>(554,775)</u>	<u>(622,183)</u>

The notes on pages 5 to 11 form part of these financial statements.

**Espial Limited**  
**Registered number: 2822565**

**Balance sheet**  
**as at 31 December 2014**

	Note	£	2014 £	£	2013 £
<b>Fixed assets</b>					
Tangible assets	6		165,595		190,660
<b>Current assets</b>					
Debtors	7	566,515		626,172	
Cash at bank		133,422		190,616	
		699,937		816,788	
<b>Creditors: amounts falling due within one year</b>	8	(4,505,136)		(3,878,699)	
<b>Net current liabilities</b>			(3,805,199)		(3,061,911)
<b>Total assets less current liabilities</b>			(3,639,604)		(2,871,251)
<b>Provisions for liabilities</b>					
Other provisions	9		(152,306)		(365,884)
<b>Net liabilities</b>			<u>(3,791,910)</u>		<u>(3,237,135)</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		(14,210,572)		(13,655,797)
<b>Shareholders' deficit</b>			<u>(3,791,910)</u>		<u>(3,237,135)</u>

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**Espial Limited**

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**Balance sheet (continued)  
as at 31 December 2014**

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The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 December 2014 and of its loss for the year in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

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

C Smith  
Director

Date: *September 28, 2015*

The notes on pages 5 to 11 form part of these financial statements.

**Notes to the financial statements  
for the year ended 31 December 2014**

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**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 April 2008).

**1.2 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 achieved a loss of £554,775 (2013: £622,183).

**1.3 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.

**1.4 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 to the financial statements  
for the year ended 31 December 2014**

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**1. Accounting policies (continued)**

**1.5 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

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.

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.

**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.



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**Espial Limited**

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**Notes to the financial statements  
for the year ended 31 December 2014**

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**1. Accounting policies (continued)****1.10 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 3rd party and take into account the costs likely to be incurred in reinstating the building back to its original condition.

**2. Turnover**

94.0% of the company's turnover (2013 - 93.5%) is attributable to geographical markets outside the United Kingdom.

**3. Operating loss**

The operating loss is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets: - owned by the company	73,225	108,218
Pension costs	-	2,484
Research and development costs	1,621,924	1,531,211
Operating lease rentals - land and buildings	200,715	237,957

**4. Directors' remuneration**

	2014 £	2013 £
Aggregate remuneration	-	53,788
Compensation for loss of office	-	53,181

During the year retirement benefits were accruing to no directors (2013 - 2) in respect of defined contribution pension schemes.

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**Espial Limited**

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**Notes to the financial statements  
for the year ended 31 December 2014**

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**5. Taxation**

	2014 £	2013 £
<b>Analysis of tax charge in the year</b>		
Adjustments in respect of prior periods	-	6,853
	<hr/>	<hr/>
Foreign tax on income for the year	54,956	134,893
	<hr/>	<hr/>
<b>Tax on loss on ordinary activities</b>	<b>54,956</b>	<b>141,746</b>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Loss on ordinary activities before tax	(499,819)	(480,437)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	(107,427)	(111,702)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,909	3,634
Depreciation for year in excess of capital allowances	(4,305)	11,904
Higher rate taxes on overseas earnings	54,956	134,893
Adjustments to tax charge in respect of prior periods	-	6,853
Short term timing difference leading to an increase (decrease) in taxation	-	(2,981)
Non-taxable income	(11,812)	-
Unrelieved tax losses carried forward	121,635	99,145
	<hr/>	<hr/>
<b>Current tax charge for the year (see note above)</b>	<b>54,956</b>	<b>141,746</b>

**Factors that may affect future tax charges**

The company has approximately £11,595 (2013: £15,601) of capital allowances in arrears of depreciation and £1,858,760 (2013: £1,734,738) 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.

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**Espial Limited**

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**Notes to the financial statements  
for the year ended 31 December 2014**

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**6. Tangible fixed assets**

	Leasehold Improvements £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2014	229,685	168,353	395,386	793,424
Additions	-	-	48,160	48,160
Written off	(64,697)	(159,547)	(279,320)	(503,564)
At 31 December 2014	164,988	8,806	164,226	338,020
<b>Depreciation</b>				
At 1 January 2014	106,806	164,219	331,739	602,764
Charge for the year	46,080	827	26,318	73,225
Written off	(64,697)	(159,547)	(279,320)	(503,564)
At 31 December 2014	88,189	5,499	78,737	172,425
<b>Net book value</b>				
At 31 December 2014	76,799	3,307	85,489	165,595
At 31 December 2013	122,879	4,134	63,647	190,660

**7. Debtors**

	2014 £	2013 £
Trade debtors	349,780	441,215
Other debtors	216,735	184,957
	<u>566,515</u>	<u>626,172</u>

**8. Creditors:  
Amounts falling due within one year**

	2014 £	2013 £
Trade creditors	119,415	34,298
Amounts owed to group undertakings	3,726,087	3,257,635
Other taxation and social security	44,757	30,626
Other creditors	614,877	556,140
	<u>4,505,136</u>	<u>3,878,699</u>

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**Espial Limited**

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**Notes to the financial statements  
for the year ended 31 December 2014**

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**9. Provisions**

	Potential Disputes £	Building £	Total £
At 1 January 2014	117,418	248,466	365,884
Amounts used	(55,112)	(158,466)	(213,578)
At 31 December 2014	<u>62,306</u>	<u>90,000</u>	<u>152,306</u>

**Potential Disputes**

The company has provided an estimated cost of settling disputes with two 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.

**Building**

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.

**10. Share capital**

	2014 £	2013 £
<b>Authorised</b>		
28,000,000 Ordinary shares of £0.05 each	<u>1,400,000</u>	<u>1,400,000</u>
<b>Allotted, called up and fully paid</b>		
12,629,099 Ordinary shares of £0.05 each	<u>631,454</u>	<u>631,454</u>

**11. Reserves**

	Share premium account £	Profit and loss account £
At 1 January 2014	9,787,208	(13,655,797)
Loss for the financial year	-	(554,775)
At 31 December 2014	<u>9,787,208</u>	<u>(14,210,572)</u>

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**Espial Limited**

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**Notes to the financial statements  
for the year ended 31 December 2014**

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**12. Operating lease commitments**

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
	£	£
<b>Expiry date:</b>		
Between 2 and 5 years	-	236,000

**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 2014 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.