

Registration number: 08330792

# Imagination Industries Incubator Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2016



## **Imagination Industries Incubator Ltd**

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## **Imagination Industries Incubator Ltd**

### **Company Information**

|                          |   |
|--------------------------|---|
| <b>Directors</b>         | Stephen Fitzpatrick<br>Vincent Casey  |
| <b>Registered office</b> | 140-142 Kensington Church Street<br>London<br>W8 4BN                                  |
| <b>Auditors</b>          | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Bristol |

## **Director's Report**

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

The company's principal activity is incubation of start up businesses with a view to future commercialisation. The company began trading on 29 January 2016. Prior to this, the company was dormant.

### **Directors of the company**

The directors who held office during the year were as follows:

Stephen Fitzpatrick

Vincent Casey (appointed 2 March 2016)

### **Strategic Report Exemption**

The company is claiming the small company exemption from preparing the Strategic Report in accordance with the Companies Act 2006.

### **Financial instruments**

The financial risk management objectives and policies of the Company and the assessment of the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is discussed in note 17 of these financial statements.

### **Employment of disabled persons**

One of the Company's core values is treating people fairly therefore giving equal opportunities to all employees including applicants. The Company ensures all employees get the same chances for training, development and career progression depending on their performance including any disabled employees.

### **Employee involvement**

The Company is actively encouraging employee involvement throughout the organisation. The company holds regular company wide briefings where the latest information is shared. Employee performance and development is reviewed on a quarterly basis and ensured it is in line with the overall company's objectives. The Company's employee forum and social committee is chaired by its employees for its employees.

### **Future developments**

The Company's financial performance continues in line with expectations for 2016.

### **Research and development**

The company spent £247,000 on research and development in the current year (2015: £Nil)

### Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

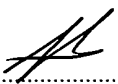
- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable 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.

The directors 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. In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 27 September 2017 and signed on its behalf by:

  
.....  
Stephen Fitzpatrick  
Director

## **Independent Auditor's Report to the members of Imagination Industries Incubator Ltd**

### **Report on the financial statements**

#### ***Our Opinion***

In our opinion, Imagination Industries Incubator Ltd's financial statements (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 loss and cash flows for the year then ended;
- have been properly prepared in accordance with the International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### ***What we have audited***

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation for the financial statements is IFRSs as adopted by the European Union, and applicable law. In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

***Directors' remuneration***

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

***Entitlement to exemptions***

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

***Responsibilities for the financial statements and the audit***

***Our responsibilities and those of the directors***

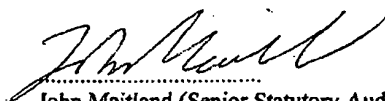
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

***What an audit of financial statements involves***

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.



John Maitland (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor  
Bristol

28 September 2017

**Imagination Industries Incubator Ltd**  
**Income Statement**  
**For the Year Ended 31 December 2016**

**Income Statement**

|                         | Note | 2016<br>£ 000         | 2015<br>£ 000   |
|-------------------------|------|-----------------------|-----------------|
| Revenue                 |      | -                     | -               |
| Administrative expenses |      | <u>(1,078)</u>        | <u>-</u>        |
| Operating loss          |      | <u>(1,078)</u>        | <u>-</u>        |
| Loss before tax         |      | <u>(1,078)</u>        | <u>-</u>        |
| Income tax              | 7    | <u>-</u>              | <u>-</u>        |
| Loss for the year       |      | <u><u>(1,078)</u></u> | <u><u>-</u></u> |

The above results were derived from continuing operations.

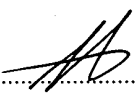
There is no other comprehensive income other than the loss for the year.



## Statement of Financial Position

|                               | Note | 2016<br>£ 000  | 2015<br>£ 000 |
|-------------------------------|------|----------------|---------------|
| <b>Assets</b>                 |      |                |               |
| <b>Non-current assets</b>     |      |                |               |
| Property, plant and equipment | 8    | 29             | -             |
| Intangible assets             | 9    | 13             | -             |
|                               |      | <u>42</u>      | <u>-</u>      |
| <b>Current Assets</b>         |      |                |               |
| Trade and other receivables   | 10   | 154            | -             |
| Cash and cash equivalents     | 11   | 184            | -             |
|                               |      | <u>338</u>     | <u>-</u>      |
| Total assets                  |      | <u>380</u>     | <u>-</u>      |
| <b>Current Liabilities</b>    |      |                |               |
| Trade and other payables      |      | (91)           | -             |
| Loans and borrowings          | 14   | (1,367)        | -             |
|                               |      | <u>(1,458)</u> | <u>-</u>      |
| Total liabilities             |      | <u>(1,458)</u> | <u>-</u>      |
| Net liabilities               |      | <u>(1,078)</u> | <u>-</u>      |
| <b>Equity</b>                 |      |                |               |
| Share capital                 | 13   | -              | -             |
| Retained earnings             |      | (1,078)        | -             |
| Total equity                  |      | <u>(1,078)</u> | <u>-</u>      |

Approved by the Board on 27 September 2017 and signed on its behalf by:

  
 .....  
 Stephen Fitzpatrick  
 Director

Imagination Industries Incubator Ltd  
Statement of Changes in Equity  
For the Year Ended 31 December 2016

**Statement of Changes in Equity**

|                     | <b>Retained<br/>earnings<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|---------------------|--|------------------------|
| At 1 January 2016   |  |                        |
| Loss for the year   | (1,078)                                | (1,078)                |
| At 31 December 2016 | (1,078)                                | (1,078)                |

|                     | <b>Retained<br/>earnings<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|---------------------|--|------------------------|
| At 1 January 2015   | -                                      | -                      |
| At 31 December 2015 | -                                      | -                      |

Imagination Industries Incubator Ltd  
Statement of Cash Flows  
For the Year Ended 31 December 2016

**Statement of Cash Flows**

|   | Note | 2016<br>£ 000     | 2015<br>£ 000   |
|---|------|-------------------|-----------------|
| <b>Cash flows from operating activities</b>   |      |                   |                 |
| Loss for the year                             |      | (1,078)           | -               |
| Adjustments to cash flows from non-cash items |      |                   |                 |
| Depreciation and amortisation                 | 3    | <u>11</u>         | <u>-</u>        |
|   |      | (1,067)           | -               |
| Working capital adjustments                   |      |                   |                 |
| Increase in trade and other receivables       | 10   | (154)             | -               |
| Increase in trade and other payables          |      | <u>91</u>         | <u>-</u>        |
| Net cash flow from operating activities       |      | <u>(1,130)</u>    | <u>-</u>        |
| <b>Cash flows from investing activities</b>   |      |                   |                 |
| Acquisitions of property plant and equipment  |      | (34)              | -               |
| Acquisition of intangible assets              | 9    | <u>(19)</u>       | <u>-</u>        |
| Net cash flows from investing activities      |      | (53)              | -               |
| <b>Cash flows from financing activities</b>   |      |                   |                 |
| Proceeds from other borrowing draw downs      |      | <u>1,367</u>      | <u>-</u>        |
| Net increase in cash and cash equivalents     |      | 184               | -               |
| Cash and cash equivalents at 1 January        |      | <u>-</u>          | <u>-</u>        |
| Cash and cash equivalents at 31 December      |      | <u><u>184</u></u> | <u><u>-</u></u> |

The notes on pages 10 to 26 form an integral part of these financial statements.

## Notes to the Financial Statements

### 1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:

140-142 Kensington Church Street

London

W8 4BN

United Kingdom

These financial statements were authorised for issue by the Board on 27 September 2017.

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Statement of compliance

The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

#### Basis of preparation

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in the 'Critical accounting estimates and judgements' section at the end of this note.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is the Company's functional and the Company's presentation currency.

#### Going concern

Although the Company made a loss and has net liabilities, the financial statements have been prepared on a going concern basis.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate with ongoing support from its parent company, Imagination Industries Ltd. The director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore, continues to adopt the going concern basis in preparing its financial statements.

## 2 Accounting policies (continued)

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below. The company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### Finance income and costs policy

Financing expense comprises interest payable on loans and is recognised in profit or loss using the effective interest method. Financing income comprises interest receivable on funds invested and on loans to group undertakings.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

### Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

### Tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

## 2 Accounting policies (continued)

### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class            | Depreciation method and rate |
|------------------------|------------------------------|
| Computer equipment     | 3 years straight line        |
| Leasehold improvements | Life of lease                |

### Intangible assets

Computer software and licenses

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

| Asset class | Amortisation method and rate |
|-------------|------------------------------|
| IT software | 3 years straight line        |

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 2 Accounting policies (continued)

### Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

### Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

## 2 Accounting policies (continued)

### **Employee benefits**

The Company operates a flexible benefit scheme for qualifying employees whereby in addition to their salary, those employees are invited to select certain benefits with a value of up to 4% of their base pay. All costs related to the scheme are expensed in the income statement in the years which services are rendered by employees. One of the available benefits is payment to a defined contribution pension plan. This is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company has enrolled in the automatic pension scheme since January 2016.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **Financial assets**

#### ***Classification***

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

#### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

#### **(c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.



## 2 Accounting policies (continued)

### *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date; the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Company's right to receive payments is established.

## 2 Accounting policies (continued)

### ***Impairment***

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

### **Changes in accounting policy**

#### **New standards, interpretations and amendments effective**

The following have been applied for the first time from 1 January 2016. None of these are expected to have a significant effect on the company.

#### ***Amendment to IAS 32 Financial instruments: Presentation on offsetting financial assets and financial liabilities***

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

#### ***Amendments to IAS 36 Impairment of assets; on the recoverable amount disclosures of non-financial assets***

This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

#### **New standards, interpretations and amendments not yet effective**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company. However, the following may have some impact:

## 2 Accounting policies (continued)

### *IFRS 9 Financial instruments*

IFRS 9 Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. The company is yet to assess IFRS 9s full impact.

### *IFRS 15 Revenue from contracts with customers*

IFRS 15 Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement. The company is assessing the impact of IFRS 15.

### **Critical estimates and judgements**

The key estimates and judgements made by the director in the preparation of the financial statements are in respect of revenue recognition, impairment of trade receivables and recognition of deferred tax assets.

#### **Impairment of trade receivables**

Impairments against trade receivables are recognised where the loss is probable. The Directors have based their assessment of the level of impairment on collection rates experienced by the Company to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

#### **Deferred tax assets**

Deferred tax assets are only recognised when it is considered more likely than not that the Company will make future taxable profits against which the deferred tax asset can be utilised. Having assessed the level profits made by the Company since the year end and forecasts of revenue and costs for the coming years, the directors believe it is probable that the Company will generate sustainable profits and therefore a deferred tax asset has been recognised.

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**3 Operating profit**

Arrived at after charging/(crediting)

|                                    | 2016<br>£ 000     | 2015<br>£ 000     |
|------------------------------------|-------------------|-------------------|
| Depreciation expense               | 5                 | -                 |
| Amortisation expense               | 6                 | -                 |
| Operating lease expense - property | 18                | -                 |
|                                    | <u>          </u> | <u>          </u> |

**4 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

|  | 2016<br>£ 000     | 2015<br>£ 000     |
|--|-------------------|-------------------|
| Wages and salaries                         | 583               | -                 |
| Social security costs                      | 55                | -                 |
| Pension costs, defined contribution scheme | 10                | -                 |
|  | <u>          </u> | <u>          </u> |
|  | 648               | -                 |

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

|                            | 2016<br>No.       | 2015<br>No.       |
|----------------------------|-------------------|-------------------|
| Administration and support | 8                 | -                 |
|                            | <u>          </u> | <u>          </u> |

**5 Directors' remuneration**

The Directors received no remuneration in their capacity as Directors of the Company.

**6 Auditors' remuneration**

Fees for the audit of £10,000 (2015 - Nil) and taxation services of £Nil (2015 - Nil) are borne by Imagination Industries Ltd.

## 7 Income tax

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

|   | 2016<br>£ 000 |
|---|---------------|
| Loss before tax   | (1,078)       |
| Corporation tax at standard rate  | (216)         |
| Effect of expense not deductible in determining taxable profit (tax loss) | 6             |
| Tax losses not recognised   | 210           |
| Total tax charge/(credit)   | -             |

The main rate of UK corporation tax for the year to 31 March 2015 was 20%, remaining the same for the year to 31 March 2016.

At Summer Budget 2015, the government announced legislation setting the corporation tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the corporation tax main rate (for all profits except ring fenced profits) for the year starting 1 April 2020, setting the rate at 17%.

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**8 Property, plant and equipment**

|                          | <b>Leasehold<br/>improvements<br/>£ 000</b> | <b>Computer<br/>equipment<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|--------------------------|---|---|------------------------|
| <b>Cost or valuation</b> |   |   |                        |
| At 1 January 2015        | -   | -                                       | -                      |
| At 31 December 2015      | -   | -                                       | -                      |
| Additions                | 10  | 24                                      | 34                     |
| At 31 December 2016      | 10  | 24                                      | 34                     |
| <b>Depreciation</b>      |   |   |                        |
| Charge for the year      | 1   | 4                                       | 5                      |
| At 31 December 2016      | 1   | 4                                       | 5                      |
| <b>Carrying amount</b>   |   |   |                        |
| At 31 December 2016      | 9   | 20                                      | 29                     |
| At 31 December 2015      | -   | -                                       | -                      |

**9 Intangible assets**

|                          | <b>IT Software<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|--------------------------|------------------------------|------------------------|
| <b>Cost or valuation</b> |                              |                        |
| At 1 January 2015        | -                            | -                      |
| At 31 December 2015      | -                            | -                      |
| Additions                | 19                           | 19                     |
| At 31 December 2016      | 19                           | 19                     |
| <b>Amortisation</b>      |                              |                        |
| At 1 January 2015        | -                            | -                      |
| At 31 December 2015      | -                            | -                      |
| Amortisation charge      | 6                            | 6                      |
| At 31 December 2016      | 6                            | 6                      |
| <b>Carrying amount</b>   |                              |                        |
| At 31 December 2016      | 13                           | 13                     |
| At 31 December 2015      | -                            | -                      |

The amortisation charge of £6,000 is recognised in administrative expenses.

There was no indication of impairment of the software during the year. The carrying amounts of the software was reviewed at the reporting date and management determined that there were no indicators of impairment.

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**10 Trade and other receivables**

|                   | <b>2016</b><br><b>£ 000</b> | <b>2015</b><br><b>£ 000</b> |
|-------------------|-----------------------------|-----------------------------|
| Prepayments       | 83                          | -                           |
| Other receivables | 71                          | -                           |
|                   | <u>154</u>                  | <u>-</u>                    |

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in note 16 "Financial instruments".

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 17 "Financial risk management and impairment of financial assets".

**11 Cash and cash equivalents**

|              | <b>2016</b><br><b>£ 000</b> | <b>2015</b><br><b>£ 000</b> |
|--------------|-----------------------------|-----------------------------|
| Cash at bank | <u>184</u>                  | <u>-</u>                    |

**12 Trade and other payables**

|                  | <b>2016</b><br><b>£ 000</b> | <b>2015</b><br><b>£ 000</b> |
|------------------|-----------------------------|-----------------------------|
| Trade payables   | 58                          | -                           |
| Accrued expenses | 33                          | -                           |
|                  | <u>91</u>                   | <u>-</u>                    |

The fair value of the trade and other payables classified as financial instruments are disclosed in note 16 "Financial instruments".

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 17 "Financial risk management and impairment of financial assets".



### 13 Share capital

#### Allotted, called up and fully paid shares

|                                   | 2016     |          | 2015     |          |
|-----------------------------------|----------|----------|----------|----------|
|                                   | No.      | £        | No.      | £        |
| Ordinary share capital of £1 each | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

### 14 Loans and borrowings

|                                     | 2016<br>£ 000 | 2015<br>£ 000 |
|-------------------------------------|---------------|---------------|
| <b>Current loans and borrowings</b> |               |               |
| Intercompany borrowings             | <u>1,367</u>  | <u>-</u>      |

The loans and borrowings classified as financial instruments are disclosed in note 16 "Financial instruments".

The company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in note 17 "Financial risk management and impairment of financial assets".

### 15 Obligations under leases and hire purchase contracts

#### Operating leases

The total future value of minimum lease payments is as follows:

|                      | 2016<br>£ 000 |
|----------------------|---------------|
| Within one year      | 37            |
| In two to five years | <u>33</u>     |
|                      | <u>70</u>     |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £18,000 (2015 - £Nil)

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**16 Financial instruments**

**Financial assets**  
**Loans and receivables**

|                           | Carrying value |               | Fair value    |               |
|---------------------------|----------------|---------------|---------------|---------------|
|                           | 2016<br>£ 000  | 2015<br>£ 000 | 2016<br>£ 000 | 2015<br>£ 000 |
| Cash and cash equivalents | 184            | -             | 184           | -             |
| Other receivables         | 71             | -             | 71            | -             |
|                           | <u>255</u>     | <u>-</u>      | <u>255</u>    | <u>-</u>      |

*Valuation methods and assumptions*

Loans and receivables: The fair value of loans and receivable is based on the expectation of recovery of balances. The individually impaired receivables mainly relate to customers from whom it is unlikely that full payment will ever be received.

**Financial liabilities**

*Financial liabilities at amortised cost*

|                          | Carrying value |               | Fair value    |               |
|--------------------------|----------------|---------------|---------------|---------------|
|                          | 2016<br>£ 000  | 2015<br>£ 000 | 2016<br>£ 000 | 2015<br>£ 000 |
| Trade and other payables | 91             | -             | 91            | -             |
| Borrowings               | 1,367          | -             | 1,367         | -             |
|                          | <u>1,458</u>   | <u>-</u>      | <u>1,458</u>  | <u>-</u>      |

**17 Financial risk management and impairment of financial assets**

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Risk management is carried out by the Risk management committee, under policies approved by the Director and his Group management team.

## 17 Financial risk management and impairment of financial assets (continued)

### Credit risk and impairment

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and from security deposits and prepayments to suppliers and distributors.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £255,000 being the total of the carrying amount of financial assets, excluding equity investments, which include trade receivables and cash. All the receivables are with parties in the UK.

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly. There were no transactions written off in the year. The Company provides for impairment losses based on estimated irrecoverable amounts determined by reference to specific circumstances and the experience of management of debtor default.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Ovo group management team uses short and long-term cash flow forecasts to manage liquidity risk. Forecasts are supplemented by sensitivity analysis which is used to assess funding adequacy for at least a 12 month period.

### Maturity analysis

|                          | Within 30 days<br>£ 000 | Total<br>£ 000 |
|--------------------------|-------------------------|----------------|
| <b>2016</b>              |                         |                |
| Trade and other payables | 91                      | 91             |
|                          | <u>91</u>               | <u>91</u>      |
| <b>2015</b>              |                         |                |
| Trade and other payables | -                       | -              |
|                          | <u>-</u>                | <u>-</u>       |

### Capital risk management

#### Capital components

Capital risk is managed to ensure the company continues as a going concern and grows in a sustainable manner.

#### **18 Related party transactions**

##### **Key management personnel**

During 2015, the directors were paid through Ovo Group Ltd. In 2016, Stephen Fitzpatrick was no longer paid a salary. No recharge from Ovo Group Ltd has been made in the current year or prior period.

##### **Summary of transactions with parent**

During the year, the Company received loan funds from Imagination Industries Ltd (immediate parent) of £1,367,000 (2015: £nil).

#### **19 Parent and ultimate parent undertaking**

The company's immediate parent is Imagination Industries Ltd. These financial statements are available upon request from the registered office shown in note 1

The ultimate controlling party is Stephen Fitzpatrick.