

Digital Projection Limited
Annual report and financial statements
for the year ended 31 December 2016

Registered Number 03287264

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Digital Projection Limited

Annual report and financial statements for the year ended 31 December 2016

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Digital Projection Limited

Officers and professional advisors

Directors

M N Levi

D J Quinn

J Chang

M Hao

K Ka

Secretary

St Pauls Secretaries Limited

1 St. Pauls Square

Liverpool

L3 9SJ

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

Solicitors

Hill Dickinson LLP

50 Fountain Street

Manchester

M2 2AS

Bankers

Citibank, N.A.

Citi Group Centre

Canada Square

Canary Wharf

London

E14 5LB

Registered Office

Greenside Way

Middleton

Manchester

M24 1XX

Digital Projection Limited

Strategic report

The directors present their strategic report and directors' report on the affairs of the Company, together with the financial statements and independent auditors' report, for the year ended 31 December 2016.

Principal activity

The principal activity of the Company continues to be the research, design, manufacture and sale of electronic video projectors based upon DLP™ technology jointly developed with Texas Instruments. The Company headquarters are in Middleton, Manchester where products are developed and manufactured. Sales are made world-wide, with the largest volume being in the USA through its subsidiary Digital Projection Inc.

Review of the business

Revenue during the year decreased to £27,026,000 (year ended 31 December 2015: £27,910,000). The decrease is due to lower sales volumes, and gross margin was 29.2% (2015: 30.6%). The resulting operating profit of £3,729,000 for the year shows an acceptable increase on the operating profit of £3,425,000 for 2015.

The exchange rate of the US\$ against the pound has moved significantly during the year, with the result that the operating profit for 2016 included a gain of £1,652,000 compared to a gain of £402,000 in 2015.

During the year attention continued to be given to minimising working capital requirements. The net liabilities of the company at the year-end are £10,108,000 (2015 £21,888,000).

Future developments

The directors expect the general level of activity to increase steadily in future in line with the Company's plan from growth and expansion.

The Company has devoted substantial resources to research and development during the year. This, together with contracts with outside parties, will enable the Company to maintain its leading position in technology and design.

Strategy and objectives

The Company continues to maintain its place as a world-wide leader in the technology of digital projection utilising DLP™ and new products incorporating the latest advancements continue to be brought on line. The introduction of new products results in substantial development costs being incurred, as shown in note 3.

Key performance indicators

The directors do not believe there are any further relevant financial and non-financial key performance indicators requiring disclosure, other than those disclosed above.

Principal risks and uncertainties

The board acknowledges the risks from competitors, the reliance on key suppliers, the funding requirements needed to maintain its commitment to research and development, the need to constantly introduce new products incorporating the latest advances in technology, and foreign exchange issues. The board seeks to minimise these risks wherever possible, and they are regularly reviewed through management reporting and planning processes.

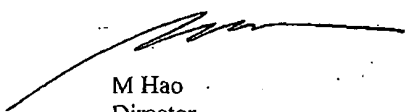
Digital Projection Limited

Strategic report (continued)

Financial risk management

The Company's prime areas of financial risk include foreign currency exchange, the control of adequate liquidity, and the maintenance of adequate credit from suppliers. The Company does not utilise forward foreign exchange contracts as it is able to match its purchases in the same currency as its sales. Liquidity is closely monitored and controlled. Credit obtainable from suppliers is agreed in advance. Any potential credit risk from receivables is minimised by payments being obtained in advance where the risk is perceived and credit insurance.

On behalf of the Board



M Hao
Director

14 November 2017

Digital Projection Limited

Directors' report

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

Results and dividends

The results for the year ended 31 December 2016 are set out in the income statement on page 8. The directors are unable to recommend the payment of a dividend (2015: same). The balance sheet shows net liabilities of £10,108,000 (2015: £21,888,000) attributable to ordinary shareholders. Future developments relating to the company are discussed on page 2 of the strategic report.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

J Chang
S Chao-resigned 7 November 2016
M Hao
M N Levi
D J Quinn
K Ka-appointed 1 September 2016

Financial risk management

The financial risk management policy has been disclosed on page 3 in the strategic report.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 United Kingdom Accounting Standards, comprising FRS 102, 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.

Digital Projection Limited

Directors' report (continued)

Going concern basis

In carrying out their duties in respect of going concern, the directors have carried out a review of the Company's financial position and cash flow forecast for a period of 12 months from the date of approval of these financial statements. The forecasts have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the uncertainties brought about by the current economic environment.

To ensure the continuation of the Company the directors regularly review the cash flows of the Company both in the short and medium term, have a thorough approach to managing the working capital and hold regular reviews with each operating unit in the country of operation, which includes an assessment of any bad debt risk or inventory obsolescence concerns. This is supported by regular monitoring of key performance indicators.

The Company's ability to continue as a going concern depends on its ability to negotiate extended payment terms with related parties. While this extension has been obtained in the past, the related parties have not offered any commitment as to their willingness to extend payment terms. If the extension is not granted, and the Company is unable to meet its obligations as they fall due, it would not be a going concern. The directors have a reasonable expectation that negotiations will be successful and these related parties will accept the extended payment terms necessary for the Company to be able to continue to trade and meet obligations as they fall due, and therefore for it to continue as a going concern. Accordingly they have prepared the financial statements on a going concern basis.

Nevertheless, the fact that these negotiations are not yet complete as at the date of approval of these financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Information given to auditors

Each of the directors at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP were appointed as auditors of the Company during the year. A resolution to reappoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Directors' liabilities

The Company's Articles of Association permit the Company to indemnify Directors of the Company in accordance with the Companies act 2006. The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance.

On behalf of the Board



M Hao
Director

14 November 2017

Digital Projection Limited

Independent auditors' report to the members of Digital Projection Limited

Report on the financial statements

Our opinion

In our opinion, Digital Projection Limited'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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the summary of significant accounting policies concerning the Company's ability to continue as a going concern. The Company's ability to continue as a going concern depends on its ability to negotiate extended payment terms with related parties. These negotiations are not yet complete as at the date of approval of the financial statements. These conditions, along with the other matters explained in the summary of significant accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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 and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Summary of significant accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). 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.

Opinions 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 Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report 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 Strategic Report and 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.

Digital Projection Limited

Independent auditors' report to the members of Digital Projection Limited (continued)

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.

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 in respect of the financial statements, 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 Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

14 November 2017

Digital Projection Limited

Income statement for the year ended 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
Revenue	1	27,026	27,910
Cost of sales		(18,577)	(19,383)
Gross profit		8,449	8,527
Distribution costs		(2,581)	(2,420)
Administrative expenses		(2,139)	(2,779)
Other operating income		-	97
Operating profit	3	3,729	3,425
Finance costs	4	(6)	(52)
Profit before income tax		3,723	3,373
Income tax credit	5	-	132
Profit for the financial year		3,723	3,505

Statement of comprehensive income for the year ended 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
Profit for the financial year		3,723	3,505
Other comprehensive (expense) / income:			
Actuarial (loss) / gain on pension liability	13	(749)	124
Currency translation differences on foreign currency net investments		-	(90)
Other comprehensive income for the year, net of tax		(749)	34
Total comprehensive income for the year		2,974	3,539

The above results relate to continuing operations.

The accompanying notes on pages 20 to 30 are an integral part of the income statement and statement of comprehensive income.

Digital Projection Limited

Statement of financial position as at 31 December 2016

	Note	As at 31 December 2016 £000	As at 31 December 2015 £000
Assets			
Non-current assets			
Property, plant and equipment	6	294	421
Investments	7	1	1
		<u>295</u>	<u>422</u>
Current assets			
Inventories	8	2,488	2,099
Trade and other receivables	9	3,045	3,786
Cash and cash equivalents		133	467
		<u>5,666</u>	<u>6,352</u>
Total assets		<u>5,961</u>	<u>6,774</u>
Equity and liabilities			
Equity			
Called up share capital	10	43	43
Share premium account		4,259	4,259
Capital contribution account		8,806	-
Accumulated losses		(23,216)	(26,190)
Total equity		<u>(10,108)</u>	<u>(21,888)</u>
Liabilities			
Non-current liabilities			
Trade and other payables	11	1,699	1,194
Current liabilities			
Trade and other payables	11	14,370	27,468
		<u>16,069</u>	<u>28,662</u>
Total liabilities		<u>16,069</u>	<u>28,662</u>
Total equity and liabilities		<u>5,961</u>	<u>6,774</u>

The financial statements of Digital Projection Limited, registered number 03287264, were approved by the Board of Directors on 14 November 2017 and signed on its behalf by:


M Hao
Director

The notes on pages 20 to 30 are an integral part of this statement of financial position.

Digital Projection Limited

Statement of changes in equity for the year ended 31 December 2016

	Note	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Accumulated losses £000	Total equity £000
Balance as at 1 January 2015		-	-	-	(29,729)	(29,729)
Profit for the financial year		-	-	-	3,505	3,505
Other comprehensive income / (expense) for the year:						
Actuarial gain on pension liability	13	-	-	-	124	124
Total tax on components of other comprehensive income		-	-	-	-	-
Currency translation difference on foreign currency net investment		-	-	-	(90)	(90)
Total comprehensive income for the year		-	-	-	3,539	3,539
Proceeds from shares issued	10	43	4,259	-	-	4,302
Dividends		-	-	-	-	-
Total transactions with owners, recognized directly in equity		43	4,259	-	-	4,302
Balance as at 31 December 2015		43	4,259	-	(26,190)	(21,888)
Profit for the financial year		-	-	-	3,723	3,723
Other comprehensive expense for the year:						
Actuarial loss on pension liability	13	-	-	-	(749)	(749)
Total comprehensive income for the year		-	-	-	2,974	2,974
Proceeds from shares issued	10	-	-	-	-	-
Waiver of intercompany debt		-	-	8,806	-	8,806
Total transactions with owners, recognized directly in equity		-	-	-	-	-
Balance as at 31 December 2016		43	4,259	8,806	(23,216)	(10,108)

During the year, Digital Projection International Limited ("DPIL") agreed to waive £8,806,308 of debt owed by Digital Projection Limited, and all entitlements to that debt were discharged. The consequent benefit has been credited to a new capital reserve.

Digital Projection Limited

Summary of significant accounting policies

General information

Digital Projection Limited ('the Company') is a private Company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Greenside Way, Middleton, Manchester, M24 1XX. The registered number of the company is 03287264.

The principal activity of the Company continues to be the research, design, manufacture and sale of electronic video projectors based upon DLP™ technology jointly developed with Texas Instruments. The Company's headquarters are in Middleton, Manchester where products are developed and manufactured. The Company's sales are made world-wide, with the largest volume being in the USA through its subsidiary Digital Projection Inc.

Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The following accounting policies have been applied consistently in the current and prior year in dealing with items which are considered material in relation to the Company's financial statements. The financial statements have been prepared, using United Kingdom accounting standards.

a. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in paragraph (t).

b. Going concern

In carrying out their duties in respect of going concern, the directors have carried out a review of the Company's financial position and cash flow forecast for a period of 12 months from the date of approval of these financial statements. The forecasts have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the uncertainties brought about by the current economic environment.

To ensure the continuation of the Company the directors regularly review the cash flows of the Company both in the short and medium term, have a thorough approach to managing the working capital and hold regular reviews with each operating unit in the country of operation, which includes an assessment of any bad debt risk or inventory obsolescence concerns. This is supported by regular monitoring of key performance indicators.

Digital Projection Limited

Summary of significant accounting policies (continued)

b. Going concern (continued)

The Company's ability to continue as a going concern depends on its ability to negotiate extended payment terms with related parties. While this extension has been obtained in the past, the related parties have not offered any commitment as to their willingness to extend payment terms. If negotiations were unsuccessful and the extension were not to be granted, and the Company is therefore unable to meet its obligations as they fall due, it would not be a going concern. The directors have a reasonable expectation that negotiations will be successful and these related parties will accept the extended payment terms necessary for the Company to be able to continue to trade and meet obligations as they fall due, and therefore for the Company to continue as a going concern. Accordingly, they have prepared the financial statements on a going concern basis.

Nevertheless, the fact that these negotiations are not yet complete as at the date of approval of these financial statements indicates the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a Group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated.

As a qualifying entity, the Company has taken advantage of the following exemptions in its standalone financial statements:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

d. Foreign currencies

(i) *Functional and presentation currency*

The financial statements are presented in pound sterling and rounded to thousands.

The Company's functional and presentational currency is the pound sterling

Digital Projection Limited

Summary of significant accounting policies (continued)

e. Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

f. Revenue

Revenue represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and value added tax. Revenue is recognised when, in the opinion of the directors, the risks and rewards of ownership of the goods have transferred to the customer.

g. Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangement, defined contribution plan and defined benefit pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plan

The Company currently operates a defined contribution plan, and there are no further liabilities on the Company beyond the contributions made. The assets of the scheme are held separately from the Company and are administered by trustees and managed professionally. For defined contribution schemes, the amount charged to the income statement in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

(iii) Defined benefit pension plan

For defined benefit pension schemes, scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities.

Digital Projection Limited

Summary of significant accounting policies (continued)

g. Employee benefits (continued)

(iii) Defined benefit pension plan (continued)

Full actuarial valuations are obtained at least every three years with an adjustment for employee demographics annually and are updated at each reporting date. The resulting surplus or deficit, net of taxation thereon, is presented under trade payables in statement of financial position.

The service cost of providing pension benefits to employees for the period is charged to the income statement. The cost of making improvements to pension and benefits is recognised in the income statement on a straight-line basis over the period during which the increase in benefits vests. To the extent that the improvements in benefits vest immediately, the cost is recognised immediately. These costs are recognised as an operating expense.

A charge representing the unwinding of the discount on the scheme liabilities during the period is included within other finance expense.

A credit representing the expected return on the scheme assets during the period is included within other finance expense. This credit is based on the market value of the scheme assets, and expected rates of return, at the beginning of the period.

Actuarial gains and losses may result from: differences between the expected return and the actual return on scheme assets; differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the period; or changes in the actuarial assumptions used in the valuation of the scheme liabilities. Actuarial gains and losses, and taxation thereon, are recognised in the statement of other comprehensive income.

h. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Digital Projection Limited

Summary of significant accounting policies (continued)

i. Research and development

Expenditure is charged to the income statement in the period it is incurred.

j. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Short-term leasehold improvement	33.3% per annum
Plant and machinery	20% per annum
Fixtures, fittings, tools and equipment	8%-33.3% per annum

Provision is made for any impairment in the carrying value of property, plant and equipment as the directors consider appropriate.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Income statement.

k. Short term borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the income statement using the effective interest method.

l. Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

ii) Lease incentives

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2015) and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates.

Digital Projection Limited

Summary of significant accounting policies (continued)

m. Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

n. Investments

Investments in subsidiaries and other investments are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

o. Inventories

Inventories and work in progress are stated at the lower of cost and estimated selling price less costs to sell. Estimated selling price less costs to sell is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Inventories are recognised as an expense in the period in which the related revenue is recognised. Provision is made for obsolete, slow-moving or defective items where appropriate.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

- i. Inventories are valued at latest invoice price plus shipping and transport costs inclusive duty etc.
- ii Inventories are written down at set percentages dependant on the length of time in inventory, up to a maximum of 100% write-down if over 12 months old.

Digital Projection Limited

Summary of significant accounting policies (continued)

p. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

q. Financial instruments

The Company has chosen to adopt the sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other trade receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other trade payables and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method

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. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivatives financial instruments. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

Digital Projection Limited

Summary of significant accounting policies (continued)

r. Government grants

Government grants received against revenue expenditure are credited to the income statement in the accounting period in which they become receivable.

s. Related party transaction

The Company has taken advantage of exemption under the terms of paragraph 33.1A of FRS 102 in not disclosing transactions with other wholly-owned companies within the Group.

t. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- *Useful economic lives of property plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 6 for the carrying amount of the property, plant and equipment, and accounting policies point (j) for the useful economic lives for each class of assets.

- *Defined benefit pension scheme*

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

- *Carrying values of Property, plant and equipment and Inventories*

The carrying values of property, plant and equipment, and inventories are assessed on a continual basis and amended to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Inventories are evaluated to ensure they are carried at the lower of cost or net realisable value and are written down depending on the length of time held.

- *Warranty provision*

Provision is made in the accounts for the estimated costs of warranty claims that may be made in relation to goods sold. The level of the provision is reviewed annually based on experience of the actual warranty claims made on recent sales over the previous 3 years, being the average length of warranty given.

Digital Projection Limited

Summary of significant accounting policies (continued)

t. Critical accounting judgements and key sources of estimation uncertainty (continued)

- *Going concern*

In assessing the going concern basis of preparing annual accounts, the Directors prepare profit and cash flow forecasts for a period of at least 12 months after the date of signing the accounts. The going concern basis was deemed suitable after taking account of bank facilities plus the continuing support of group holding companies.

u. Future amendments to FRS 102

There are no future amendments to FRS 102 that are expected to have a significant impact on the Company financial statements.

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016

1 Revenue

Reporting of revenue by geographical analysis of markets and profit before income tax by geographical area has not been provided. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the company due to the commercial sensitivity of the information, and the available exemption under Companies Act SI 2008/410 Paragraph 68 has therefore been taken.

2 Information regarding directors and employees

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Directors' emoluments		
Remuneration	639	696
Remuneration of highest paid director	428	362

No directors were members of the Company's pension scheme.

	Year ended 31 December 2016 Number	Year ended 31 December 2015 Number
Average number of persons employed (including directors)		
Production and Research and Development	49	50
Sales and distribution	10	9
Administration	6	7
	65	66

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Staff costs charged to operating profit during the year (including directors)		
Wages and salaries	3,337	3,329
Social security costs	378	384
Pension costs relating to defined benefit schemes (note 13)	63	60
Pension costs relating to defined contribution schemes (note 13)	166	175
	3,944	3,948

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Operating profit

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Operating profit is stated after charging / (crediting):		
Research and development costs	2,064	1,632
Gains on foreign exchange	(1,652)	(402)
Depreciation of property, plant and equipment-owned assets	203	299
Rentals under operating leases:	181	209
Research and development tax credits	(225)	(75)
The analysis of auditors' remuneration is as follows:		
Fees payable to the company's auditors for the audit of the company's annual accounts	48	54
Fees payable to the company's auditors and their associates for taxation services	14	14
Fees payable to the company's auditors and its associates for other services	-	12

4 Finance cost

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Net financial expense on defined benefit pension liability (note 13)	18	28
Net financial (income) / expense on unfunded pension liability (note 13)	(40)	5
Other interest payable	28	19
	<u>6</u>	<u>52</u>

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

5 Income tax credit

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Current tax		
UK corporation tax at 20% (2015: 20.25%) based on the profit for the year	-	-
Adjustment in respect of previous periods	-	(132)
	-	(132)
	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Profit before taxation	3,723	3,373
Tax at 20% (2015: 20.25%)	745	683
Expenses not deductible for tax purposes	7	3
Utilisation of losses not recognised	(840)	(686)
Transfer pricing adjustments	88	-
Adjustment from previous periods	-	(132)
Tax for the year	-	(132)

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were substantively enacted on 20 October 2016. A further change to reduce the main rate to 17% from 1 April 2020 was announced in the Chancellor's Budget on 16 March 2017. This change was substantively enacted on 15 September 2016. Accordingly, deferred tax balances have been restated at the applicable rate at which they were expected to reverse.

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

6 Property, plant and equipment

	Short-term leasehold improvements £000	Plant and machinery £000	Fixtures, Fittings, tools and equipment £000	Total £000
Cost				
At 1 January 2016	197	256	484	937
Additions	6	29	41	76
At 31 December 2016	203	285	525	1,013
Accumulated Depreciation				
At 1 January 2016	(163)	(117)	(236)	(516)
Charge for the year	(20)	(49)	(134)	(203)
At 31 December 2016	(183)	(166)	(370)	(719)
Net book value				
At 31 December 2016	20	119	155	294
At 31 December 2015	34	139	248	421

7 Investments

	Shares in subsidiaries £000
Cost and net book value	
At 1 January 2016 and 31 December 2016	1

Interests in subsidiaries

The investment in subsidiaries represents 100% of the issued ordinary share capital of Digital Projection Inc, a company registered in USA. The principal activity of the subsidiary is the sale and marketing of electronic video projectors. Its registered office is 55 Chastain Road, Suite 115, Kennesaw, Georgia, GA 30144, USA.

The directors believe that the carrying value of the investment is satisfied by the net assets of the subsidiary.

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

8 Inventories

	As at 31 December 2016 £000	As at 31 December 2015 £000
Raw materials and consumables	1,333	1,203
Finished goods and goods for resale	1,155	896
	<u>2,488</u>	<u>2,099</u>

In the opinion of the directors, the value of stock is not materially different from replacement cost.

The amount of inventories recognised as an expense during the year was £21,287,000 (2015: £19,383,000).

9 Trade and other receivables

	As at 31 December 2016 £000	As at 31 December 2015 £000
Trade receivables	1,151	2,846
Amounts owed by associates	593	170
Other trade receivables	860	533
Corporation tax	441	201
Prepayments and accrued income	-	36
	<u>3,045</u>	<u>3,786</u>

10 Called up share capital

The company had the following ordinary shares:

	As at 31 December 2016 £	As at 31 December 2015 £
Called-up, issued and fully paid		
At the beginning of the year; 43,118 (2015: 100) ordinary shares of £1 each	43,118	100
Shares issued and fully paid during the year: Nil (2015: 43,018 ordinary shares of £1 each)	-	43,018
	<u>43,118</u>	<u>43,118</u>

Shares at end of the year

All shares rank pari passu for voting purposes and distributions.

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

11 Trade and other payables

	As at 31 December 2016 £000	As at 31 December 2015 £000
Non-current liabilities		
Pension liability (note 13)	1,699	1,194
	1,699	1,194
Current liabilities		
Trade payables	798	1,845
Amounts owed to group undertakings	5,246	17,691
Amounts owed to associates	4,548	4,212
Short term borrowings	2,849	2,272
Other taxation and social security	203	158
Other trade payables	290	213
Accruals and deferred income	436	1,077
	14,370	27,468

Amounts owed to group undertakings are not interest bearing. The short term borrowings are secured on all the assets of the company, and are repayable on demand. (2015: same)

12 Deferred taxation

There is no deferred taxation asset in the company, due to the uncertainty of timing of future taxable profits. The unprovided deferred tax asset at 31 December 2016 was as follows:

	As at 31 December 2016 £000	As at 31 December 2015 £000
Fixed asset depreciation in excess of capital allowances	(55)	(36)
Trading losses	(831)	(1,833)
Timing differences - trading	(315)	(217)
Total unprovided asset at 17% (2015: 18%)	(1,201)	(2,086)

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

13 Pensions

The Company currently operates defined contribution plans, and there are no further liabilities on the Company beyond the contributions made. During the year the Company made contributions to the defined contributions plan of £166,000 (2015: £175,000). The assets of the schemes are held separately from the Company and are administered by trustees and managed professionally. Some defined payments are made to retired employees that are not funded within the pension schemes. Provision is made in the statement of financial position for the present value of these unfunded amounts.

The Company also operated a UK registered trust based pension scheme that provides defined benefits. No benefits have accrued since 31 December 2007. Pension benefits are linked to the members' final pensionable salaries and service at the date accrual ceased (or date of leaving if earlier). The Trustees are responsible for running the Plan in accordance with the Plan's Trust deed and Rules, which sets out their powers. The Trustees of the Plan are required to act in the best interests of the beneficiaries of the Plan.

The information provided below in respect of this plan has been prepared by an independent actuary. The most recent formal actuarial valuation was carried out at 5 April 2014, and the results have been updated to 31 December 2016 by the actuary. The key assumptions used were as follows:

Key assumptions used	As at 31 December 2016	As at 31 December 2015
Discount rate	2.60% pa	3.70% pa
Retail Prices Index (RPI) inflation	3.30% pa	3.00% pa
Consumer Prices Index (CPI) inflation	2.30% pa	2.00% pa
Rate of increase of pensions in payment		
- Guaranteed minimum pension ("GMP") arising before 1988	0.00% pa	0.00% pa
- GMP, and benefits in excess of GMP, arising post 1988 up to 1997	2.10% pa 2.70% pa	1.80% pa 2.50% pa
- Pre 1997 excess over GMP ("XS")		
- Benefits arising post 1997	3.20% pa	2.90% pa
Rate of increase for deferred pensioners	2.30% pa	2.00% pa

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

13. Pensions (continued)

Demographic assumptions	As at 31 December 2016	As at 31 December 2015
Mortality (Pre-retirement)	AMC00/AFC00	AMC00/AFC00
Mortality (Post retirement)	92% of S2PA CMI 2013 M/F with long term improvement rate of 1.25% pa	92% of S2PA CMI 2013 M/F with long term improvement rate of 1.25% pa
Life expectancy for a current 65 year old	males-23.1 years, females 25.1 years	males 23.1 years, females 25.1 years
Life expectancy at age 65 for an individual aged 45 in 2016	males-25.0 years, females-27.1 years	males-25.0 years, females-27.1 years

Assets

The fair value of the assets of the plan were:

Asset class	As at 31 December 2016		As at 31 December 2015	
	% of total		% of total	
	Plan assets	£000	Plan assets	£000
Equities and other growth assets	81%	4,283	77%	3,303
Bonds	7%	399	9%	390
Gilts	6%	298	5%	195
Cash	6%	340	9%	407
		<u>5,320</u>		<u>4,295</u>
The return on assets was:				
Interest income		161		150
Return on assets less interest income		<u>732</u>		<u>(37)</u>
Total return on assets		<u>893</u>		<u>113</u>

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

13. Pensions (continued)

Reconciliation to the statement of financial position

	As at 31 December 2016 £000	As at 31 December 2015 £000
Fair value of assets	5,320	4,295
Present value of defined benefit obligation	(6,199)	(4,885)
Deficit in scheme at end of year as recognised in statement of financial position	(879)	(590)
Provision for unfunded pensions outside of the scheme	(820)	(604)
Total provision presented in statement in financial position	(1,699)	(1,194)

Defined benefit scheme

	Assets £000	Liabilities £000	Net movement £000
At 1 January 2016	4,295	4,885	(590)
Interest income / (expense)	161	(179)	(18)
Benefits paid	(120)	120	-
Employer contributions	315	-	315
Administrative expenses	(63)	-	(63)
Actuarial losses	732	(1,255)	(523)
At 31 December 2016	5,320	(6,199)	(879)

Unfunded liabilities

	Liabilities £000
At 1 January 2016	(604)
Interest expense	(23)
Benefits paid	33
Actuarial losses	(226)
At 31 December 2016	(820)

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

13. Pensions (continued)

Amounts recognised in income statement

Analysis of amount charged to operating profit

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Administration expenses	63	60
Total operating charge	63	60

Analysis of the amount charged to other finance expense

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Net charge to other finance expense	18	28

Amounts recognised in statement of comprehensive income

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
In respect of defined benefit scheme:		
Actuarial (losses) / gains recognised in other comprehensive income	(1,255)	161
Actual return on assets less interest	732	(37)
In respect of defined contribution scheme:		
Actuarial losses recognised in other comprehensive income	(226)	-
	(749)	124

Future funding obligation

Until the closure of the scheme on 31 December 2007, contributions were paid into the Plan at the rate of 40% of pensionable pay by the employer and at 3.3% of pensionable pay (on average) by the employees. The Plan is a closed scheme both to new entrants and, as from 31 December 2007, to future service benefits for current members. Therefore under the projected unit method the current service cost would be expected to increase as members approach retirement. As the scheme is closed there is no set future contribution rate on employees' pensionable pay, but the employer will make contributions to the Plan in order to reduce the scheme deficit over time.

The Trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Plan was performed by the Actuary for the Trustees as at 5 April 2014. The valuation revealed a shortfall of £530,000. The Company agreed to pay £21,250 per month from 1 July 2015 to 31 March 2016, then £18,750 per month to 30 April 2017. In addition the Company will pay £60,000 per annum to cover administration expenses. The Company therefore expects to pay £153,750 to the Plan during the accounting year beginning 1 January 2017.

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

14 Financial commitments

Operating lease commitments

At 31 December 2016 the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following

	Within 1 year	Within 2 to 5 year	Over 5 years	Total
	£000	£000	£000	£000
As at 31 December 2015				
Land & buildings	150	348	-	498
Motor vehicles	25	38	-	63
Equipment	6	8	1	15
Total	181	394	1	576
 As at 31 December 2016				
Land & buildings	239	398	-	637
Motor vehicles	24	8	-	32
Equipment	6	3	-	9
Total	269	409	-	678

Capital commitments

At 31 December 2016 the company had no capital commitments contracted but not provided (31 December 2015: same).

15 Related party transactions

As a subsidiary undertaking of Digital Projection International Limited, the company has taken advantage of the exemption under the terms of paragraph 33.1A of FRS 102 in not disclosing transactions with other wholly-owned companies within the group. During the current financial year the company purchased goods in the ordinary course of business from associated companies totalling £14,574,168 (31 December 2015 - £13,772,412). Sales of goods were also made to associated companies in the amount of £1,359,232 (31 December 2015: £963,476). Amounts owed by and to associated companies are shown in notes 9 and 11.

16 Ultimate controlling party

The immediate parent company is Digital Projection Holdings Limited.

In the opinion of the directors, the company's ultimate parent company and controlling party is Luxeon International Holding Limited, a company incorporated in British Virgin Islands. The parent undertaking of the largest and smallest group, which includes the company for which group accounts are prepared is Digital Projection International Limited. Copies of the group financial statements of Digital Projection International Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.