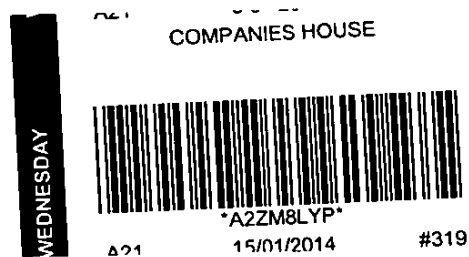


REGISTERED NUMBER: 05673888 (England and Wales)

METASPHERE LIMITED
REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2013



METASPHERE LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 APRIL 2013

DIRECTORS:

C M C Young
N R Tubman
R B Howe
T B O'Brien
I P Williams

SECRETARY:

J L Smith

REGISTERED OFFICE:

Oakleigh House
High Street
Hartley Wintney
Hampshire
RG27 8PE

REGISTERED NUMBER:

05673888 (England and Wales)

AUDITORS:

Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Mount Manor House
16 The Mount
Guildford
Surrey
GU2 4HN

METASPHERE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 APRIL 2013

The directors present their report with the financial statements of the company for the year ended 30 April 2013

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a telemetry services provider, providing robust asset monitoring and control of time critical remote operations to gain competitive advantage and meet regulatory compliance

REVIEW OF BUSINESS

Metasphere Limited grew sales by 8% to over £4m. The fall in profit before tax to £28,784 when compared with the previous year is disappointing given the higher turnover and gross margins, but primarily reflects the significant investment in both staff and research & development as the company looks to expand further in the current financial year.

The launch of the Point Colour family of Remote Telemetry Units was extremely well received in July 2013 and the company is very excited by its prospects with existing and potential customers. This product offers the business an excellent opportunity to enter new markets, both geographical and sectorial, as an antidote to OFWAT's five year cycle where 2013/14 becomes the cost baseline year ahead of the Periodic Review in 2014 (PR14).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 May 2012 to the date of this report.

C M C Young
N R Tubman
R B Howe
T B O'Brien
I P Williams

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

METASPHERE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 APRIL 2013

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

ON BEHALF OF THE BOARD:


J L Smith - Secretary

Date 19 November 2013

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF METASPHERE LIMITED

We have audited the financial statements of Metasphere Limited for the year ended 30 April 2013 on pages six to seventeen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2013 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
METASPHERE LIMITED**

Matters on which we are required to report by exception

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

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

Wilkins Kennedy LLP

Robert Southey (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Mount Manor House
16 The Mount
Guildford
Surrey
GU2 4HN

21 November 2013

METASPHERE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2013

	Notes	2013 £	2012 £
TURNOVER	2	4,032,403	3,739,428
Cost of sales		<u>2,254,590</u>	<u>2,137,640</u>
GROSS PROFIT		1,777,813	1,601,788
Administrative expenses		<u>1,709,503</u>	<u>1,287,911</u>
		68,310	313,877
Other operating income		-	<u>1,250</u>
OPERATING PROFIT	5	68,310	315,127
Interest receivable and similar income		<u>17</u>	<u>340</u>
		68,327	315,467
Interest payable and similar charges	6	<u>39,543</u>	<u>39,327</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		28,784	276,140
Tax on profit on ordinary activities	7	<u>(36,757)</u>	<u>(62,720)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>65,541</u>	<u>338,860</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

METASPHERE LIMITED (REGISTERED NUMBER: 05673888)

**BALANCE SHEET
30 APRIL 2013**

	Notes	2013	2012
		£	£
FIXED ASSETS			
Intangible assets	8	5,833	12,833
Tangible assets	9	54,307	52,818
		<u>60,140</u>	<u>65,651</u>
CURRENT ASSETS			
Stocks	10	364,677	259,219
Debtors	11	1,214,737	1,066,940
Cash at bank and in hand		91	51,748
		<u>1,579,505</u>	<u>1,377,907</u>
CREDITORS			
Amounts falling due within one year	12	852,606	783,560
NET CURRENT ASSETS		<u>726,899</u>	<u>594,347</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>787,039</u>	<u>659,998</u>
CREDITORS			
Amounts falling due after more than one year	13	(950,000)	(850,000)
PROVISIONS FOR LIABILITIES	17	-	(38,500)
NET LIABILITIES		<u>(162,961)</u>	<u>(228,502)</u>

The notes form part of these financial statements

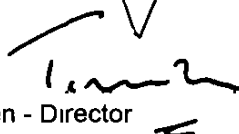
METASPHERE LIMITED (REGISTERED NUMBER: 05673888)

BALANCE SHEET - continued
30 APRIL 2013

	Notes	2013	2012
		£	£
CAPITAL AND RESERVES			
Called up share capital	18	2,500,154	2,500,154
Share premium	19	437,400	437,400
Capital redemption reserve	19	118,490	118,490
Profit and loss account	19	(3,219,005)	(3,284,546)
SHAREHOLDERS' FUNDS	22	<u>(162,961)</u>	<u>(228,502)</u>

The financial statements were approved by the Board of Directors on 19 November 2013 and were signed on its behalf by


C M C Young - Director


T B O'Brien - Director

The notes form part of these financial statements

METASPHERE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2013

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention

Going Concern

Despite the company making a profit in the year ended 30 April 2013, the company continues to have net liabilities and at the year end these amounted to £162,961 (2012 £228,502)

These accounts have been prepared on a going concern basis, which depends on the continued support of Kaye Enterprises Limited. The parent company has confirmed that it will continue to support the company to allow it to trade within its forecasts and projections for a period of not less than twelve months from the date of the financial statements

Financial reporting standard number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company

Turnover

Turnover represents sale of goods and services to external customers at invoiced amounts less value added tax or local tax on sales. Revenue is recognised as follows

- for product sales, on despatch of goods
- for project costs, on completion of a mile stone as agreed with the customer
- for support contracts, over the term of the contract on a straight line basis
- for other support services, as and when the service is provided

Goodwill

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 5 years

Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Tangible fixed assets

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates

Improvements to property	- 33% on cost
Office equipment	- 20 - 33% on cost
Computer equipment	- 33% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal

METASPHERE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2013**

1 ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria

- the project is clearly defined and related expenditure is separately identifiable,
- the project is technically feasible and commercially viable,
- current and future costs are expected to be exceeded by future sales, and
- adequate resources exist for the project to be completed

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the company starts to benefit from the expenditure

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

Pension costs and other post-retirement benefits

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable

Operating leases

Annual rentals on operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease

Other intangibles

Other intangibles include intellectual property rights acquired. Intellectual property rights are capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 5 years. Impairment tests on the carrying value are undertaken at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

METASPHERE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2013**

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company

The proportion of turnover that is attributable to markets outside the United Kingdom is 9% (2012 - 5%)

3 STAFF COSTS

	2013	2012
	£	£
Wages and salaries	1,015,736	910,193
Social security costs	95,330	88,475
Other pension costs	41,683	43,364
	<u>1,152,749</u>	<u>1,042,032</u>

The average monthly number of employees during the year was as follows

2013	2012
21	16
<u>21</u>	<u>16</u>

4 DIRECTORS' EMOLUMENTS

	2013	2012
	£	£
Directors' remuneration	219,541	221,493
Directors' pension contributions to money purchase schemes	5,490	5,280
	<u>225,031</u>	<u>226,773</u>

The number of directors to whom retirement benefits were accruing was as follows

	2013	2012
Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

Information regarding the highest paid director is as follows

	2013	2012
	£	£
Emoluments etc	144,008	143,963
	<u>144,008</u>	<u>143,963</u>

METASPHERE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2013**

5 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2013	2012
	£	£
Depreciation - owned assets	30,786	19,468
Profit on disposal of fixed assets	-	(350)
Intellectual property amortisation	7,000	7,000
Foreign exchange differences	-	(900)
Audit fees	9,000	8,500
Operating lease payments - other	60,301	50,000
Operating lease payments - plant and machinery	-	3,225
	<u> </u>	<u> </u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Bank interest	430	4
Interest paid to group companies	39,113	39,323
	<u>39,543</u>	<u>39,327</u>

7 TAXATION

Analysis of the tax credit

The tax credit on the profit on ordinary activities for the year was as follows

	2013	2012
	£	£
Current tax		
UK corporation tax prior year	(36,757)	(62,720)
Tax on profit on ordinary activities	<u>(36,757)</u>	<u>(62,720)</u>

METASPHERE LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 30 APRIL 2013

7 TAXATION - continued**Factors affecting the tax credit**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2013	2012
	£	£
Profit on ordinary activities before tax	28,784	276,140
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2012 - 26%)	6,908	71,796
Effects of		
Expenses not deductible for tax purposes	561	498
Capital allowances in excess of depreciation	(2,114)	(7,678)
Utilisation of tax losses	-	(30,441)
Net timing differences	79	852
R & D tax relief	(85,632)	(35,027)
Adjustment in respect of prior year R & D tax credits	(36,757)	(62,720)
Surrender of losses for R & D tax credit	80,198	-
Current tax credit	(36,757)	(62,720)

Factors that may affect future tax charges

As at 30 April 2013 the company had tax losses of £2,514,155 (2012 - £2,514,155) to carry forward to future periods

The deferred tax asset of £578,256 (2012 - £603,397) in respect of these losses has not been recognised as it is uncertain if these will be utilised in the foreseeable future

METASPHERE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2013**

8 INTANGIBLE FIXED ASSETS

	Goodwill £	Intellectual property £	Totals £
COST			
At 1 May 2012			
and 30 April 2013	<u>1,702,964</u>	<u>35,000</u>	<u>1,737,964</u>
AMORTISATION			
At 1 May 2012	<u>1,702,964</u>	<u>22,167</u>	<u>1,725,131</u>
Amortisation for year	<u>-</u>	<u>7,000</u>	<u>7,000</u>
At 30 April 2013	<u>1,702,964</u>	<u>29,167</u>	<u>1,732,131</u>
NET BOOK VALUE			
At 30 April 2013	<u>-</u>	<u>5,833</u>	<u>5,833</u>
At 30 April 2012	<u>-</u>	<u>12,833</u>	<u>12,833</u>

9 TANGIBLE FIXED ASSETS

	Improvements to property £	Office Equipment £	Computer equipment £	Totals £
COST				
At 1 May 2012	<u>-</u>	<u>97,687</u>	<u>169,727</u>	<u>267,414</u>
Additions	<u>3,349</u>	<u>8,709</u>	<u>20,217</u>	<u>32,275</u>
At 30 April 2013	<u>3,349</u>	<u>106,396</u>	<u>189,944</u>	<u>299,689</u>
DEPRECIATION				
At 1 May 2012	<u>-</u>	<u>97,220</u>	<u>117,376</u>	<u>214,596</u>
Charge for year	<u>1,116</u>	<u>635</u>	<u>29,035</u>	<u>30,786</u>
At 30 April 2013	<u>1,116</u>	<u>97,855</u>	<u>146,411</u>	<u>245,382</u>
NET BOOK VALUE				
At 30 April 2013	<u>2,233</u>	<u>8,541</u>	<u>43,533</u>	<u>54,307</u>
At 30 April 2012	<u>-</u>	<u>467</u>	<u>52,351</u>	<u>52,818</u>

10 STOCKS

	2013 £	2012 £
Finished goods	<u>364,677</u>	<u>259,219</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

METASPHERE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2013**

11 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Trade debtors	810,550	834,798
Amounts owed by group undertakings	5,580	151,390
Other debtors	186,733	20,593
Prepayments and accrued income	211,874	60,159
	<u>1,214,737</u>	<u>1,066,940</u>

12 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Bank loans and overdrafts (see note 14)	69,449	-
Trade creditors	305,361	151,476
Amounts owed to group undertakings	72,782	64,028
Other taxes and social security	82,476	103,081
Deferred income	262,855	335,834
Accrued expenses	59,683	129,141
	<u>852,606</u>	<u>783,560</u>

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £	2012 £
Amounts owed to group undertakings	<u>950,000</u>	<u>850,000</u>

14 LOANS

An analysis of the maturity of loans is given below

	2013 £	2012 £
Amounts falling due within one year or on demand		
Bank overdrafts	<u>69,449</u>	<u>-</u>

METASPHERE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2013**

15 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings	
	2013	2012
	£	£
Expiring Within one year	<u>33,000</u>	<u>12,500</u>

16 SECURED DEBTS

The following secured debts are included within creditors

	2013	2012
	£	£
Bank overdraft	<u>69,449</u>	<u>-</u>

The bank overdraft is secured by HSBC Plc with a debenture dated 17 March 2006 including a fixed charge over all property and a first charge over all other assets of the company both present and future

17 PROVISIONS FOR LIABILITIES

	2013	2012
	£	£
Other provisions	<u>-</u>	<u>38,500</u>

Provisions relate to stock under a warranty period

18 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2013	2012
Number	Class	Nominal value	£	£
556,000	Ordinary shares	£0.10	55,600	55,600
2,444,554	Ordinary B shares	£1	<u>2,444,554</u>	<u>2,444,554</u>
			<u>2,500,154</u>	<u>2,500,154</u>

Holders of ordinary shares have full voting rights. Ordinary B shareholders have no voting rights except on matters affecting the rights of B shares.

METASPHERE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2013**

19 RESERVES

	Profit and loss account £	Share premium £	Capital redemption reserve £	Totals £
At 1 May 2012	(3,284,546)	437,400	118,490	(2,728,656)
Profit for the year	65,541			65,541
At 30 April 2013	<u>(3,219,005)</u>	<u>437,400</u>	<u>118,490</u>	<u>(2,663,115)</u>

20 ULTIMATE PARENT COMPANY

There is no ultimate controlling party

The largest and smallest group in which the results of the company are consolidated is that headed by Kaye Enterprises Limited, a company incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from Oakleigh House, High Street, Hartley Wintney, Hook, Hampshire, RG27 8PE. No other group accounts include the results of the company.

21 RELATED PARTY DISCLOSURES

During the year Kaye Enterprises Limited, a shareholder of the company, invoiced the company for £282,252 (2012 - £312,027) relating to recharged expenses, management fees and interest. At the year end a total of £72,782 (2012 - £64,028) remained outstanding.

During the year Kaye Enterprises loaned the company a further £100,000. At the year end an amount of £950,000 (2012 - £850,000) was outstanding due for repayment in more than one year from the balance sheet date. The loan attracts interest rate charges of 4% above the base rate.

During the year Waterscan Ltd, a company under common control, was invoiced by the company for £16,584 (2012 - £172,676) relating to stock sales. At the year end £5,580 (2012 - £172,676) was outstanding.

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £	2012 £
Profit for the financial year	<u>65,541</u>	<u>338,860</u>
Net addition to shareholders' funds	65,541	338,860
Opening shareholders' funds	<u>(228,502)</u>	<u>(567,362)</u>
Closing shareholders' funds	<u>(162,961)</u>	<u>(228,502)</u>