ANNUAL REPORT

2016

CELLCAST PLC ANNUAL
REPORT AND ACCOUNTS

For the year ended 31 December 2016

Company number: 05342662

cellcast

CONTENTS

1 | CHIEF EXECUTIVE'S STATEMENT

2016 Results

Cellcast plc's (the "group's") total operating revenues amounted to £12.1 million in 2016, compared to £11.8 million in 2015, an increase of 2.5%.

The group's interactive broadcasting activities in the UK generated £11.5 million of revenue (2015: £11.8 million) which reflects a decrease of 2.6%.

The group's income from the provision of management services and consultancy to overseas gaming and lottery operators, which launched during the year, generated an additional £620,000 of revenue (2015: nil).

Cost of sales amounted to £11.0 million, compared to £10.6 million in 2015.

The group's gross profit amounted to £1.1 million in 2016 compared to £1.2 million in 2015. The group benefitted from the additional revenue from its management services and consultancy activities, which compensated for the profit reduction in its core UK broadcast services.

General and administrative costs decreased by 12%, from £671,000 in 2015 to £593,000 in 2016. These costs exclude the foreign exchange gain of £140,000 in 2016 (2015: £11,000). Approximately half of these costs were personnel costs (2015: 52%). This reduction is as a result of the Board' ongoing focus to reduce the group's operating costs.

Amortisation and depreciation expenses for 2016 were £123,000, a £30,000 decrease on those of 2015 (£153,000). The decrease was due to some of the previously capitalised development costs being now fully amortized.

After taking into account the net interest, share of associate results and the taxation impact and fair value gains, the total profit for 2016 was £645,000 (2015: profit of £530,000), an increase of 21.7%. 2016 earnings per share was 0.8p (2015: earnings per share of 0.7p).

The Strategic report, set out on pages 3 and 4 of this Annual Report and Accounts, gives out a more extensive description of the group's operations during the year and technological developments.

Funding

At 31 December 2016, the group had a net cash balance of £1.1 million (2015: £839,000). Current asset investments, which comprised the investment in the Lexinta fund and the new investment in the Ventury fund described in Note 15 amounted to £511,000 at 31 December 2016 (31 December 2015: £205,000). In 2016, the total gain generated by the current asset investments represented £137,000 (2015: £40,335).

The total assets at 31 December 2016 amounted to £4.4 million, an increase of £562,000 on the previous year. The increase was mainly due to the improvement in the group's cash balance (£262,000) and an increase in the group's current asset investments (£306,000).

Outlook

In line with previous reports, the Directors expect the group's core voice and SMS revenues, which are driven by the UK interactive broadcast business, to continue to decline through 2017 as they have done through 2015 and 2016, as the entire industry sector continues to contract and experience difficult trading conditions.

The group has seen the impact of this in the first quarter performance of 2017 within the broadcast business, where revenues and margins were lower than expected and budgeted, resulting in a difficult first quarter and bottom line losses. Whilst the first 3 months of the year are traditionally challenging due to the seasonality in the group's business, the group is not currently seeing any significant signs of this reversing. In order to address this, the group has commenced a major review of costs with key suppliers who have a commonality of interest in the sustainability of the group's business. Initial positive progress has been positive in these negotiations, which are focused on realigning costs relative to the revenue and margin erosion expressed within the market itself.

In addition to this, the group faces a challenge ahead with the decision of DMOL (Digital Television Multiplex Operators Limited) to move the group's channels to less 'trafficked' positions on the Freeview electronic program guide. Previous experience of such moves over the last 5 years suggest that, whilst existing customers may seek out the group's channels in their new locations, there is no guarantee of this and there is likely the potential for a decline in new customer acquisitions, which of itself could lead to further revenue decline in the medium term.

To mitigate these uncertainties within the UK broadcast industry, the group has continued to focus on both geographical and service diversification, as previously announced, by leveraging its established skills in mobile, broadcasting and new media, to address new market sectors which can potentially provide alternate sources of revenue.

Included amongst these initiatives is the provision of consultancy and management services to companies in the gaming, lottery and entertainment sector in East Africa and Asia, where the group is leveraging the new opportunities being created by the growth in 'mobile money' in these geographies. The group's remuneration for this activity is currently received on the basis of fixed management fees, enhanced by various performance incentives. This structure insulates the group from investment risk and preserves the group's cash position, whilst providing a steady contracted stream of income and potential for upside. This new stream of income is expected to be maintained through 2017 and beyond, subject to customer and market continuity.

The group is also looking at further ways to diversify in order to create sustainable new business going forward.

Andrew Wilson
Chief Executive Officer
23 May 2017

Review of business

The group's main core activity at the moment and from which it derives the majority of its revenue is the production and distribution of participatory television formats across multiple digital platforms in the United Kingdom. Its principal focus continues to be on reaching sustainable profitability in a very challenging domestic market, whilst also looking for new sources of revenue from other sectors in which the group could redeploy its existing expertise and technical resources. Further details on the performance of the group during the year is given in the Chief Executive's statement on pages 1 to 2.

Update on technology

The group's internal technology activities were influenced directly by the overall decline in performance of the core television business and were therefore refocussed during the first half of the year toward more online and mobile activities to try and improve the efficiencies in these areas. Most of the software engineering resources were assigned to build out the online portals of the television properties with a focus on live interaction on the web and via mobile devices. The benefits of these developments have borne fruit in the latter half of 2016 and into 2017, and we remain cautiously optimistic of these activities going forward.

The group also aligned resources on the teams to support the consultancy and service provision initiatives made by the group in the gaming and entertainment sector, another area which we believe will benefit the online focussing mentioned above.

In data analysis and monitoring, the group has redoubled its efforts to focus all Electronic systems within the 'Cloud Environment' and move away from day to day support for existing platforms. This migration has been ongoing and is scheduled to be complete in 2017 leading to a reduction in the costs of personnel and equipment.

Having previously invested in broadcasting equipment in 2015, there were minimal requirements for further investment in 2016. There will be some potential requirements for additional investment in 2017 as equipment reaches its end of life, although any investment will have to be considered in the light of a contracting industry sector.

Key Performance Indicators

The directors continue to monitor the performance of the business through various key performance indicators ("KPIs"), of which the principal ones are broadcast revenue, broadcast gross profit margins, and overall group profitability. These KPIs continue to be monitored along with the compliance record with broadcasting regulations, where there have been no material breaches in the year.

	2016	2015
Broadcast revenue	£11,452,000	£11,841,000
Broadcast gross profit margins	£503,000	£1,235,000
Overall group profitability	£645,000	£530,000

The KPIs show a 3% decline in broadcast revenue and a 60% drop in gross profit from broadcasting, both of which are consistent with previous comments relating to the difficulties experienced within this sector. The fixed nature of the group's main broadcasting costs combined with the revenue decline has led to the significant drop in broadcast gross profit margin.

The overall group profitability has increased by 21% between 2015 and 2016, although the majority of this is to do with previously commented diversification.

Principle risks and uncertainties

The following are the risk factors which need to be taken into account when assessing the sustainability of the group's current financial performance. The risks are considered and managed by the board.

Regulatory risks

The group's core activities are governed by relevant Broadcasting and Telecom regulators in each of the segments and markets in which it operates. The sectors the group is involved in are constantly evolving so there remains a risk that regulations may change and that any such changes could impact our current business model.

Commercial risks

- Broadcasting
The current margins enjoyed by the group are significantly dependant on the competitive advantage it has secured through the electronic programme guide ("EPG") positions it holds on the platforms on which it operates. In the event of EPG reorganisations, the group's competitive advantage may be significantly eroded.

The group's margins are also dependant on the on-going cost of bandwidth. If these were to increase, the group's margins would diminish.

- Telecoms
The group's operations are significantly dependant on premium rate Interactive Voice Response and Short Message Service based income derived from revenue sharing agreements with fixed line and mobile operators and intermediary companies. These agreements are subject to change which, if adverse, could erode group margins.

- Overseas expansion
The group's international business activities come with an additional set of risks from the core UK business, primarily comprising of heightened regulatory risk, credit risk and foreign exchange risk. In addition, there is the challenge of forming the right partnerships abroad to further the interests of the group. These risks continue to be monitored by the Board.

Technology risks

The group continues to invest in maintaining and enhancing its broadcast and telecom infrastructure in order to maintain its competitiveness in the market. Despite that, any catastrophic failure that took excessive time to remedy could impact on-going revenues for a period of time.

Approved by the Board and signed on its behalf by

Andrew Wilson
Chief Executive Officer
23 May 2017

5 DIRECTORS AND ADVISORS

Mike Neville

Non-Executive Chairman

Mike Neville has extensive experience in the capital markets and is a director of a number of public and private companies. His background is in the telecommunications, technology and media arena, where he has worked for the last 20 years specialising in strategy, mergers and acquisitions and turnaround situations. He has worked for companies such as Cable & Wireless and United Utilities, where he has been involved in large and small scale fundraising as well as numerous merger and acquisition transactions in various parts of the world.

Andrew Wilson

Chief Executive Officer

Andrew Wilson co-founded Cellcast in 2002. With over 20 years' experience in the telecoms and information industries; he enjoys a proven track record of building innovative international businesses in related telecoms, broadcasting and new media sectors. Most recently, he has played a leading industry role in driving the global success of value-added services such as SMS and the monetization of digital content. Before co-founding Cellcast, he served as an executive director of the Tokyo based Jasdaq-listed e-Lux Corporation, and was chief executive officer of the publicly listed Hong Kong Company e-New Media. Prior to this he was a director of the international telemedia services provider VISL, and joint managing director of Marketing Solutions, a subsidiary of DDB Needham.

Emmanuelle Guicharnaud

Chief Financial Officer and Company Secretary

Emmanuelle Guicharnaud spent four years as a management consultant for PricewaterhouseCoopers. In 1999 she joined a privately held chain of hotels with the responsibility of evaluating new acquisitions. In 2000 she relocated to the UK and took up a position as the financial controller of m-Quest, a telecoms company providing value added telephony and SMS solutions that was subsequently acquired by Monstermob plc. She joined Cellcast as financial controller in 2002. Emmanuelle holds a DECF (Accountancy and Finance Diploma) from an International Business School (ESC).

Bertrand Folliet

Non-Executive Director

Bertrand Folliet co-founded Cellcast in 2002. He has many years' experience in the telecoms, digital content and multimedia industries, and a successful record of building profitable businesses providing value-added billing and distribution services in the international telecom sector. Before co-founding Cellcast, he served as an executive director of the Tokyo based Jasdaq-listed e-Lux Corporation and was the chief operating officer of e-Lux Corporation's key operating subsidiary in Hong Kong. Prior to this he was president of the publicly listed Hong Kong Company e-New Media. He also served as managing director of e-New Media subsidiary New Media Corporation and was director of operations of the company's predecessor, VISL. Before joining VISL, he was senior vice president of Matra-Hachette Multimedia On-line. Bertrand Folliet holds a PhD in Management.

Company Number

05342662

Registered Office

The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Business Address

35 Soho Square, London, W1D 3QX

Nominated Adviser and Broker

Allenby Capital Limited, 3 St. Helen’s Place, London, EC3A 6AB

Registrars

Capita Registrars, The Registry, 34 Beckenham Road,
Beckenham, Kent, BR3 4TU

Independent Auditor

RSM UK Audit LLP, 25 Farringdon Street, London, EC4A 4AB

Bankers

Barclays, United Kingdom House, 180 Oxford Street, London, W1D 1EA

Solicitors

Memery Crystal LLP, 44 Southampton Buildings, London, WC2A 1AP

Hansel Hanson Limited, 22 Newman Street, London, W1T 1PH

7 | CORPORATE GOVERNANCE

The policy of the Board is to manage the affairs of the company having regard to Quoted Company Alliance guidance. The directors support the principles underlying these requirements insofar as is appropriate for a group of the size of Cellcast Plc.

The board

The board comprises the non-executive chairman, non-executive director, the chief executive officer, and the chief financial officer.

Concern relating to the executive management of the group may be raised with the independent non-executive directors. The directors' biographies are set out on page 5. These demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which is vital to the success of the group. The board is responsible to the shareholders for the proper management of the company. A statement of the directors' responsibilities in respect of the accounts is set out on page 10 and a statement of going concern is given on pages 10 and 22.

All directors have access to the advice and services of the company secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the company secretary is a matter for the board as a whole.

The board meets regularly, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy and examining major acquisitions and opportunities. The independent non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully evaluated. To enable the board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed by the company secretary to all directors in advance of board meetings. The independent non-executive directors ensure that the directors take independent professional advice as required.

The following committees deal with the specific aspects of the group's affairs:

Audit committee

The audit committee is represented by Mike Neville as Chairman and Bertrand Folliet. The committee meets not less than twice annually. The committee provides a forum for reporting by the group's external auditor. Meetings are also attended, by invitation, by the chief executive officer or the chief financial officer. The audit committee is responsible for reviewing a wide range of matters including the half year and annual accounts before their submission to the board and monitoring the controls which are in force to ensure integrity of the information reported to the shareholders. The audit committee advises the board on the appointment of the external auditor and their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditor. The audit committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor. A formal statement of independence is received from the external auditor each year.

Remuneration committee

The remuneration committee is represented by Mike Neville as Chairman and Bertrand Folliet. The committee is responsible for making recommendations to the board, within agreed terms of reference, on the company's framework of executive directors' remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including share options, pension rights and compensation payments. The board itself determines the remuneration of the non-executive director.

Nomination committee

The nomination committee is represented by Bertrand Folliet as Chairman and Mike Neville. The committee is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. In appropriate cases, recruitment consultants may be used to assist the process.

Relations with shareholders

The board recognises the importance of communications with shareholders. The Chief Executive's statement and Strategic Report include a detailed review of the business and future developments. There is a regular dialogue with shareholders.

The board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation.

Management structure

The board has overall responsibility for the company. Each director has been given responsibility for specific aspects of the company's affairs. The executive directors meet with senior executives and divisional management regularly, to discuss day-to-day operational matters.

Finance and accounting principles

The directors and senior accounts staff are well aware of the financial and accounting policies and procedures applied throughout the company. The directors seek to comply with best practice when selecting accounting policies and preparing the accounts. The impact of new accounting policies is reviewed when they are introduced and discussed with external financial advisers, if necessary, in order to obtain a fuller understanding.

Quality and integrity of personnel

The integrity and competence of personnel is ensured through high recruitment standards and subsequent training. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the corporate culture.

Identification of business risks

The board is responsible for identifying the major business risks faced by the company and for determining the appropriate course of action to manage those risks.

Budgetary process

Each year the board approves the annual budget. Key areas are identified. Performance is monitored and relevant action is taken throughout the year through the monthly reporting to the board of variances from the budget, together with updated forecasts for the year and information on the key risk areas.

Investment appraisal

Capital expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels detailed written proposals have to be submitted to the board. Reviews are carried out after an acquisition is complete, and for some projects, during the acquisition period, expenditure is monitored and major overruns investigated. Due diligence work is carried out if a business is to be acquired.

Internal audit

Given the size of the group, the relative simplicity of the systems and the close involvement of senior management, the board considers that there is no current requirement for an internal audit function. This will be kept under review.

DIRECTORS' REPORT
For the year ended 31 December 2016

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

Directors

The following directors have held office since 1 January 2016:
Andrew Wilson
Bertrand Folliet
Mike Neville
Emmanuelle Guicharnaud

Principal activities

The principal activity of the group is the production and broadcast of participation TV formats where revenues are derived from paid audience interaction billed through fixed line or mobile phones.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 16. No dividend is proposed (2015: £nil). Certain comparitive information in the notes to the financial statements has been restated as set out in note 24.

Group research and development activities

During the year the group concentrated its development activities on programme format and platform development.

Financial instruments

The risk exposure for the group and how the group addresses these issues are dealt with in note 19 of the financial statements.

Political and charitable donations

During the year group made no political or charitable donations (2015: £nil).

Share capital

Details of share capital are given in note 20 to the financial statements.

Directors' Insurance

Directors' and officers' liability insurance is held by the group.

Credit payment policy

The group's policy is to ensure that suppliers are paid, in the absence of dispute, in line with the terms negotiated with the individual supplier. Trade creditor days based on creditors at 31 December 2016 were 51 days (2015: 52 days).

Going concern

During the year ended 31 December 2016, the group recorded a profit of £644,804. The group had net cash of £1,101,235 as at 31 December 2016 and it had net current assets of £2,329,588.

The directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2016 financial statements. The directors have reviewed the group's detailed cash forecast to ensure that the group's current working capital and credit facilities in place are sufficient for the foreseeable future. This assessment is based upon forecasts following the reduction in the revenue of the UK television business together with the continued reduction in operational costs implemented over the year; it also assumes the maintenance of existing relationships with key suppliers.

After making enquiries, the Directors have concluded that the group has adequate resources to continue trading for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the group financial statements.

Directors' responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with EU adopted IFRS.

The financial statements are required by law and EU adopted IFRS to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

a select suitable accounting policies and then apply them consistently;

b make judgements and accounting estimates that are reasonable and prudent;

c state whether they have been prepared in accordance with EU adopted IFRS;

d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

11 DIRECTORS' REPORT

For the year ended 31 December 2015

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Cellcast plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, so far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

A resolution to reappoint RSM UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the board

Emmanuelle Guicharnaud
Company Secretary
23 May 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Cellcast PLC

Opinion

We have audited the financial statements of Cellcast plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2016 which comprise the group statement of comprehensive income, group and parent company statement of financial position, group and parent company statement of changes in equity, group and parent company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The group generates revenue from interactive broadcasting activities and from other sources in accordance with the revenue recognition accounting policy. Revenue has been recognised in respect of management and consultancy activities in the year and there is a risk that this revenue is recognised inappropriately.

Our response to the risk included:

- Audit of broadcast revenue based on the number of broadcast hours and telephone/SMS calls received during the period
- Corroboration of broadcast revenue recognised to third party statements on a sample basis
- Consideration of accounting policy for management and consultancy revenue
- Corroboration of non-broadcast revenue to supporting documentation

We note that the accounting policies for revenue recognition have been updated to include the new management and consultancy services revenue stream.

Valuation and classification of investments

The group has investments in subsidiaries, an associate and an entity over which it has no significant influence, as well as investments in treasury funds classified as financial assets, as set out in notes 11, 14 and 15. Judgement is required in respect of the classification and valuation of these assets.

Our response to the risk included:

- Audit of the classification and disclosure of investments in the context of IFRS 10, IAS 28 and IAS 39
- Corroboration of the carrying value of investments to supporting documentation
- Consideration of management's impairment review, including discussions with management and audit of key assumptions

We note that the financial statements include descriptions of the significant judgements made by management in respect of these investments.

Laws and regulations

The group's core activities are regulated by Ofcom and non-compliance could result in penalties, fines or cessation of activities.

Our response to the risk included:

- Review correspondence with regulators during the period and review of Ofcom website for references to the group
- Enquiry of management regarding actual or potential breaches of laws and regulations
- Audit of sample of payments for evidence of non-compliance

Our audit work did not identify any material breaches of Ofcom regulations.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £77,000, which was updated during the course of our audit resulting in a final FSM of £91,000. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The audit was scoped to ensure that we obtained sufficient and appropriate audit evidence in respect of:

- the significant business operations of the Group
- other operations which, irrespective of size, are perceived as carrying a significant level of audit risk whether through susceptibility to fraud, or for other reasons
- the appropriateness of the going concern assumption used in the preparation of the financial statements

The audit was scoped to support our audit opinion on the company and group financial statements of Cellcast plc and was based on group materiality and an assessment of risk at group level.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10 and 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

GRAHAM RICKETTS (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

23 May 2017

CONSOLIDATED STATEMENT OF COMPREHENSION INCOME

For the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue			
Interactive broadcasting		11,452,101	11,840,875
Management and consultancy services		620,000	-
Total revenue	1	12,072,101	11,840,875
Cost of sales		(10,949,499)	(10,606,279)
Gross profit		1,122,602	1,234,596
Operating costs and expenses:			
General and administrative		(452,847)	(660,203)
Amortisation and depreciation		(123,470)	(152,702)
Total operating costs and expenses		(576,317)	(812,905)
Operating profit		546,285	421,691
Fair value gains and losses	5	58,196	28,880
Finance costs	6	(8,388)	(6,268)
Share of results in associate	14	55,906	7,135
Profit before tax	4	651,999	451,438
Taxation	7	(7,195)	78,384
Profit for the year and total comprehensive income attributable to owners of the parent		644,804	529,822
Earnings per share attributable to owners of the parent Basic & diluted (pence)	8	0.8p	0.7p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

Assets	Note	2016 £	2015 £
Non-current assets			
Intangible assets	9	119,221	154,912
Property, plant and equipment	10	140,603	209,373
Investments	11	88,813	88,813
Intesrest in associate	14	63,045	7,139
Total		411,682	460,237
Current assets			
Investments - financial assets	15	510,920	205,335
Trade and other receivables	16	2,343,977	2,301,178
Cash and cash equivalents		1,101,235	839,276
		3,956,132	3,345,789
Total assets		4,367,814	3,806,026
Capital and reserves			
Called up share capital	20	2,285,398	2,285,398
Share premium account	20	5,533,626	5,533,626
Merger reserve	20	1,300,395	1,300,395
Warrant reserve	20	13,702	13,702
Retained earnings	20	(6,776,851)	(7,421,655)
Equity attributable to owners of the parent		2,356,270	1,711,466
Liabilities			
Non-current liabilities	17	385,000	485,000
Current liabilities			
Trade and other payables	18	1,626,544	1,609,560
Total liabilities		2,011,544	2,094,560
Total equity and liabilities		4,367,814	3,806,026

The financial statements on pages 16-48 were approved and authorised for issue by the board on 23 May 2017.

Signed on its behalf by:

Andrew Wilson
Chief Executive Officer
23 May 2017

Emmanuelle Guicharnaud
Finance Director
23 May 2017

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

Company number: 05342662

		2016	2015
Assets	Note	£	£
Non-current assets			
Investments in subsidiary	12	1,211,281	1,211,281
Current assets			
Trade and other receivables - amounts falling due after more than one year	16	2,949,078	2,949,078
Total assets		4,160,359	4,160,359
Capital and reserves			
Called up share capital	20	2,285,398	2,285,398
Share premium account	20	5,533,626	5,533,626
Warrant Reserve	20	13,702	13,702
Retained earnings	20	(3,672,367)	(3,672,367)
Equity attributable to the owners		4,160,359	4,160,359

The company's profit and total comprehensive income for the year was £Nil (2015: £Nil).

The financial statements on pages 16-48 were approved and authorised for issue by the board on 23 May 2017.

Signed on its behalf by:

Andrew Wilson
Chief Executive Officer
23 May 2017

Emmanuelle Guicharnaud
Finance Director
23 May 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Attributable to the owners of the parent					
	Note	Share Capital	Share Premium	Merger Reserve	Warrant Reserve	Retained Earnings	Total
		£	£	£	£	£	£
Balance at 1 January 2015	20	2,285,398	5,533,626	1,300,395	13,702	(7,951,477)	1,181,644
Profit and total comprehensive income for the year		-	-	-	-	529,822	529,822
Balance at 31 December 2015	20	2,285,398	5,533,626	1,300,395	13,702	(7,421,655)	1,711,466
Profit and total comprehensive income for the year		-	-	-	-	644,804	644,804
Balance at 31 December 2016	20	2,285,398	5,533,626	1,300,395	13,702	(6,776,851)	2,356,270

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Share Capital	Share Premium	Warrant Reserve	Retained Earnings	Total
		£	£	£	£	£
Balance at 1 January 2015	20	2,285,398	5,533,626	13,702	(3,672,367)	4,160,359
Profit and total comprehensive income for the year		-	-	-	-	-
Balance at 31 December 2015	20	2,285,398	5,533,626	13,702	(3,672,367)	4,160,359
Profit and total comprehensive income for the year		-	-	-	-	-
Balance at 31 December 2016	20	2,285,398	5,533,626	13,702	(3,672,367)	4,160,359

Cellcast plc has not presented its own income statement as permitted by Section 408 of the Companies Act 2006.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

		2016	2015
		£	£
Net cash inflow / (outflow) from operations	23a	457,707	(556,463)
Net cash (outflow) / inflow from investing activities	23b	(187,360)	804,337
Net cash used in financing activities	23c	(8,388)	(6,268)
Net increase in cash and cash equivalents		261,959	241,606
Cash and cash equivalents at beginning of year		839,276	597,670
Cash and cash equivalents at end of year	23d	1,101,235	839,276

No separate company statement of cash flows is presented as the company holds no cash at 31 December 2016 (2015: £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Cellcast plc ('the Company') is an England and Wales incorporated public limited company registered in England and domiciled in the United Kingdom. The Company's shares are publicly traded on the AIM market of the London Stock Exchange under the ticker symbol CLTV. The address of its registered office and business address is disclosed on page 6.

The principal activity of the Company and the nature of its operations are disclosed in the Strategic Report and the Directors' Report.

Accounting Policies

The consolidated and company financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value, and in accordance with EU adopted IFRS.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

Standards issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published but are not effective and have not been early adopted by the group.

• IFRS 9	Financial instruments (effective 1 January 2018)
• IFRS 15	Revenue from Contracts with Customers (01 January 2018)
• IFRS 16	Leases (1 January 2019)*
•	Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (1 January 2018)*
• IAS 7	Disclosure Initiative (01 January 2017)*
• IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (01 January 2017)*

**not yet endorsed by the EU*

It is not anticipated at the present time that the adoption of the above standards, amendments and interpretations of existing standards will have a material impact on the group or company financial statements in the period of initial application.

The directors have particularly considered the impact of IFRS 15 to the company's revenue recognition policies. The accounting policy for recognising broadcast revenue is not expected to change when the rules under IFRS 15 are applied. A further, detailed review of the policy for recognising revenue generated from the provision of management and consultancy services will be required when IFRS 15 is adopted but given the relative amount of this revenue as a proportion of total revenue the directors do not expect a material impact on the group or company financial statements in the period of initial application.

There were no standards or amendments which became effective in the year which had a significant impact on the group's results for the year.

Going concern

During the year ended 31 December 2016, the group recorded a profit of £644,804. The group had net cash of £1,101,235 as at 31 December 2016 and it had net current assets of £2,329,588.

The directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2016 financial statements. The directors have reviewed the group's detailed cash forecast to ensure that the group's current working capital and credit facilities in place are sufficient for the foreseeable future. This assessment is based upon forecasts following the reduction in the revenue of the UK television business together with the continued reduction in operational costs implemented over the year; it also assumes the maintenance of existing relationships with key suppliers. After making enquiries, the directors have concluded that the group has adequate resources to continue trading for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the group financial statements.

Basis of consolidation

Subsidiaries are entities which are controlled by the group. An entity is controlled when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the effective date of acquisition and up to the effective date of disposal, as appropriate. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Prior to the group's transition to IFRS, the group performed a group reconstruction under merger accounting resulting in the creation of a merger reserve which was retained on transition.

Investments in subsidiaries (parent company only)

Investments in subsidiaries are stated at cost less provision for diminution in value.

Other investments

Non-current asset investments over which the group has no significant influence are initially measured at transaction price and subsequently measured at cost less any impairment because the fair value cannot be reliably measured.

Investments in associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting in the consolidated accounts. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Impairment of investments

Whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, that asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Intangible assets

1) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the group's development process is recognised only if all of the following conditions are met:

• It is probable that the asset created will generate future economic benefits;
• The development cost of the asset can be measured reliably;
• Technical feasibility of completing the intangible asset can be demonstrated;
• There is the ability to use or sell the asset; and
• Adequate technical, financial and other resources to complete the development and to use or sell the asset are available.

Development costs meeting these criteria are capitalised and amortised on a straight-line basis over their useful lives. In the opinion of the directors the useful life of development costs is 5 years once the related product is available for use. Development costs are capitalised for the development of new technologies utilised by Cellcast plc in production and broadcasting.

2) Licences

Licences are purchased separately, capitalised at cost and amortised over their useful economic life of 10 years.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Broadcasting equipment	20% per annum straight line

Leases

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases. Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the relevant instrument and are initially recorded at fair value. Subsequent measurement of those instruments at the reporting date reflects the classification of the financial instrument. The group determines the classification at initial recognition. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

-Cash and cash equivalents
Cash and cash equivalents includes cash at bank and in hand, and short term deposits with an original maturity period of three months or less, and the bank overdraft.

-Trade and other receivables and amounts due from associate
Financial assets included in trade and other receivables and amounts due from associate are initially recognised at fair value (transaction price) and subsequently measured at amortised cost, being transaction price, less amounts settled and less an allowance for any uncollectible amounts. Allowance is made when there is objective evidence of impairment and collection of the full amount is no longer probable. Bad debts are written off when identified. The group's trade and other receivables are non-interest bearing.

-Current asset investments
Current asset investments are initially recognised at fair value with transaction costs expensed in profit and loss and subsequently measured at fair value with fair value gains and losses recognised in profit and loss.

The current asset investments comprise investments in managed treasury funds and the fair value is determined using the closing value of the fund at the reporting date including profits attributable to Cellcast plc less administration costs incurred during the year. This represents a level 2 valuation in the IFRS 13 hierarchy whereby inputs other than quoted prices that are observable for the asset are used.

Financial liabilities

Trade and other trade payables

Financial liabilities included in trade and other payables are initially recognised at fair value (transaction price) and subsequently measured at amortised cost, being transaction price, less amounts settled. The company derecognises financial liabilities when its contractual obligations are discharged, cancelled or expire.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for their asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Shared based payments

The group issues equity-settled share-based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest. Fair value is measured by use of a binominal model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Pension costs

Payments into defined contribution pension schemes are charged as an expense to profit or loss as they fall due.

Foreign currencies

Transactions in currencies other than the functional currency of entities of the group are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period.

The most important currency for the group is £ Sterling, the group's functional currency. The relevant exchange rates for the foreign currencies to sterling were:

Currency	31 December 2016	31 December 2015
Dollar (USD)	1.2303	1.4802

Revenue recognition

Revenue represents the amounts receivable in relation to broadcast related income and the provision of management and consultancy services.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from customers interacting with the group's television shows is recognised immediately as the service is rendered at the time of the call or SMS/ online interaction. Revenue is included in broadcast related income.

Broadcast related income also includes revenue from the novation of the group's rights to television channels, which is recognised on the date of novation as the group has no further obligations after this date.

Revenue generated from the provision of management and consultancy services is recognised in line with the provision of such services. Revenue from performance incentives is recognised when the performance criterion has been met.

Accounting estimates and judgements

The directors consider the critical accounting estimates and judgments used in the financial statements and concluded that the main areas of judgments are:

- Realisable amounts of investments. Management have considered the recoverable amount of all investments based on expected future cash flows and consider the assets to be held at realisable amounts. Refer to note 11 for further details.
- Classification of investments: Management have considered whether the group has significant influence or control in classifying its investments. Details of these judgements are provided in notes 11 and 14.

These estimates are based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances and are discussed in more detail in the relevant notes. The group also makes estimates and judgments concerning the future and the resulting estimate may, by definition, vary from the related actual results.

1) Segmental reporting

The group's interactive broadcasting revenues are almost entirely from broadcasting related activities on Sky, Freeview and Freesat channels.

The financial information is presented to the executive management team who are responsible for making financial decisions, as one operating unit which operates in one geographical unit. The executive management team make their decisions based upon this information. The executive management team comprises the chief executive officer and the chief financial officer.

The group has three significant telecom aggregators, generating 67% of the group's television and broadcast revenue. The three telecom aggregators contribute £5,404,286, £1,331,522, and £979,335 of the group's total revenue (2015: 70% representing £5,947,946, £1,358,999, and £928,746).

Revenue is further split below between revenue generated by:

	2016	2015
	£	£
Interactive broadcasting	11,452,101	11,840,875
Management and consultancy services	620,000	-
Total	12,072,101	11,840,875

An analysis of the geographical location of the group's revenue is as follows:

	2016	2015
	£	£
UK	11,452,101	11,840,875
Rest of the world	620,000	-
Total	12,072,101	11,840,875

2) Staff costs

	2016	2015
	£	£
Wages and salaries (including directors)	964,504	910,592
Social security costs	192,455	179,086
Other pension costs	85,990	106,990
Total	1,242,949	1,196,668

Staff costs of £360,007 (2015: £343,334) are included in general and administrative expenses and £882,942 (2015: £853,334) are included in cost of sales. The parent company staff costs were nil (2015: Nil).

Average monthly number of employees by activity (including directors):

	2016	2015
Production	12	11
Technical	8	8
Management	4	4
Administration	2	2
Total	26	25

Key management compensation:

	2016	2015
	£	£
Salaries and other short-term employee benefits	328,848	317,446
Post employment benefits	85,000	105,000
Total	413,848	422,446

Key management personnel comprise the statutory directors, who are the only employees of the parent company.

3) Directors' emoluments

2016	Salary & Fees	Pension Contribution	Sub total
	£	£	£
Andrew Wilson	92,000	60,000	152,000
Emmanuelle Guicharnaud	90,000	25,000	115,000
Bertrand Folliet	60,000	-	60,000
Michael Neville	36,000	-	36,000
Total	278,000	85,000	363,000

2015	Salary & Fees	Pension Contribution	Sub total
	£	£	£
Andrew Wilson	86,000	67,000	153,000
Emmanuelle Guicharnaud	86,000	38,000	124,000
Bertrand Folliet	60,000	-	60,000
Michael Neville	36,000	-	36,000
Total	268,000	105,000	373,000

See Note 21 for details of share options granted to the directors.

4) Profit before tax

	2016	2015
Profit before tax is stated after charging/(crediting):	£	£
Depreciation – owned assets	87,779	92,263
Amortisation of intangible assets	35,691	60,439
Auditor's remuneration – statutory audit of parent and consolidated accounts	30,000	32,000
Auditor's remuneration- accounting services	10,000	-
Foreign exchange gain	(140,043)	(11,455)

5) Fair value gains and losses

	2016	2015
	£	£
Fair value gains net of fees and expenses	58,196	28,880

6) Finance costs

	2016	2015
	£	£
Bank charges and interest paid	8,388	6,268

7) Taxation

	2016	2015
Current tax charge/(credit)		£
In respect of the current year	-	(78,384)
In respect of prior years	7,195	-
Total	7,195	(78,384)

Factors affecting the tax charge for the year	2016 £	2015 £
Profit before taxation	651,999	451,438
Group profit on ordinary activities before taxation multiplied by the effective standard rate of UK corporation tax of 20% (2015: 20.25%)	130,400	91,416
Effects of:		
Non-deductible expenses	30,052	38,718
Brought forward losses utilised	(148,813)	(124,358)
Tax charge in respect of prior years	7,195	-
Gains not taxable	(11,639)	-
R&D tax credit	-	(84,160)
Total	7,195	(78,384)

At 31 December 2016, the group had estimated tax trading losses of £1.2 million (2015: £2 million) which subject to the agreement of the HM Revenue & Customs and overseas tax authorities, are available to carry forward against future profits of the same trade. No deferred tax asset has been recognised on these losses as timings of future profits are uncertain.

8) Earnings per share

The calculations of adjusted basic and diluted earnings per ordinary share are based on the following results:

	2016 £	2015 £
Profit for the financial year	644,804	529,822
Weighted average number of ordinary shares	77,513,224	77,513,224
Basic and diluted loss per share (pence)	0.8p	0.7p

There was no dilutive effect from the issued share options because the exercise prices are above market price. The number of share options at the year end was 3,684,510 (2015: 4,099,510).

9) Intangible assets

	Licences	Development Costs	Total
	£	£	£
Cost			
At 1 January 2015	781,761	2,692,716	3,474,477
At 31 December 2015	781,761	2,692,716	3,474,477
At 31 December 2016	781,761	2,692,716	3,474,477
Amortisation			
At 1 January 2015	621,006	2,638,120	3,259,126
Charge for the year	34,082	26,357	60,439
At 31 December 2015	655,088	2,664,477	3,319,565
Charge for the year	20,372	15,319	35,691
At 31 December 2016	675,460	2,679,796	3,355,256
Net book value at 31 December 2016	106,301	12,920	119,221
Net book value at 31 December 2015	126,673	28,239	154,912
Net book value at 1 January 2015	160,755	54,596	215,351

Included within Licences is an individual channel licence with a carrying value of £104,000 (2015: £117,000). The asset will be fully amortised in 8 years (2015: 9 years).

10) Property, plant and equipment

	Broadcasting equipment £
Cost	
At 1 January 2015	1,939,888
Additions	55,659
At 31 December 2015	1,995,547
Additions	19,010
At 31 December 2016	2,014,557
Depreciation	
At 1 January 2015	1,693,911
Charge for the year	92,263
At 31 December 2015	1,786,174
Charge for the year	87,779
At 31 December 2016	1,873,954
Net book value at 31 December 2016	140,603
Net book value at 31 December 2015	209,373
Net book value at 1 January 2015	245,977

11) Non-current investments - Group

At 31 December 2016, the group had a 35% holding in 2Giraffes LLP. 2Giraffes LLP is a global provider of mobile internet content. This holding is treated as an investment as the group does not have any significant influence on the operations of 2Giraffes LLP. The group received £25,000 in February 2015 from 2Giraffes LLP but nevertheless deemed it prudent to reduce the net book value of this investment by impairing 50% of the remaining carrying value due to the uncertainty surrounding the timing of future recovery of the cost of investment, based on estimated fair value less costs of disposal.

The market value of this investment is not readily available because the investment is not in publically traded equities with a quoted market price and the directors do not consider that a reliable estimate of fair value can be made using the level 2 or 3 hierarchy within IFRS 13. Therefore the investment is accounted for at cost less impairment.

The directors do not consider that 'significant influence' is exercised by the company over the LLP and therefore, despite the holding of 35%, the investment is not accounted for as an associate undertaking. This is on the basis that a sole shareholder has the remaining 65% holding and the company does not have voting rights.

	2016	2015
	£	£
At 1 January	88,813	202,627
Received from 2Giraffes LLP	-	(25,000)
Impairment of investment (included in general & administrative costs)	-	(88,814)
At 31 December	88,813	88,813

12) Non-current investments - Company

Cost

At 1 January and 31 December 2016	Subsidiary undertakings £
Total	1,211,281

At 31 December 2016 Cellcast plc directly owned 100% of the issued ordinary share capital in Cellcast UK Limited, a company incorporated in the UK whose principle business was television and broadcasting. The registered office of Cellcast UK Limited is Wye Lodge, 66 High Street, Old Stevenage, Hertfordshire, SG1 3EA.

Cellcast UK Limited has taken the exemption under section 479 of the Companies Act 2006 not to produce audited accounts. The parent company is guaranteeing the year end debts of the subsidiary company.

13) Investment in joint venture

On 30 May 2014, the group entered into a joint venture to invest in Euro TV SA, a company incorporated in the British Virgin Islands. Under the joint venture, the group invested £1 million for a 49% equity interest in Euro TV SA which was a joint venture between Cellcast UK Limited and the owners of the remaining 51%, being the principles of the Atlas Group of Companies, to focus on the development of a multi-platform gaming business using certain intellectual property and other proprietary rights and technologies. Following a review of strategy it was subsequently decided that resources would be better employed in alternative investment ventures and therefore the joint venture did not commence trading and was wound up on 6 March 2015 with the investment sum of £1million being recovered in full by the company.

	2016	2015
	£	£
At 1 January	-	1,000,000
Additions	-	-
Disposals	-	(1,000,000)
At 31 December	-	-

14) Associate

On 26 November 2015 the group acquired 49% of the issued share capital of Global Gaming Limited for a total cost of £4. The directors have assessed that the group has significant influence, but not control over Global Gaming Limited and have accounted for the investment as an associate. Details of the associate undertaking and the movements in the investment in the year are as follows:

Company	Country of incorporation	Class	Shares and voting rights held %	Type of holding	Principal business
Global Gaming Limited	China	Ordinary	49%	Associate	Development of multigame platforming

	2016	2015
	£	£
At 1 January	7,139	-
Additions	-	4
Share of associate result	55,906	7,135
At 31 December	63,045	7,139

As at 31 December 2016, the amount due from associate stood at £549,428 (2015: £594,900), this is shown in note 16. The group has full confidence regarding the full recovery of this amount.

15) Current asset investments

In May 2015, the group invested US$ 260,000 (£165,000) in a treasury product managed by the Lexinta Fund. This investment was classified in current assets as the capital and interest generated can only be withdrawn on a yearly basis at the anniversary date of the investment.

In September 2016, the group invested US$ 250,000 (£168,350) in the Ventury Fund Inc. This investment was classified in current assets as the capital and interest generated can only be withdrawn on a yearly basis at the anniversary date of the investment.

	2016	2015
	£	£
At 1 January	205,335	-
Investment in fund	168,350	165,000
Fees and costs	(5,559)	-
Fair value gain	63,756	28,880
Foreign exchange gain (included in General and administrative costs)	79,038	11,455
At 31 December	510,920	205,335

16) Trade and other receivables

Group	2016 £	2015 £
Trade receivables	376,919	566,239
Other receivables	438,884	466,125
Prepayments and accrued income	978,746	673,914
Amount due from associate	549,428	594,900
Total	2,343,977	2,301,178

Company	2016 £	2015 £
Amounts falling due after more than one year: amounts owed by group undertaking	2,949,078	2,949,078

Following a review of the amounts due by the group undertaking, the directors have considered the projected performance of Cellcast UK Limited and are confident that the amounts will be recovered. The directors deemed that it is appropriate to classify the amounts due after more than one year as this reflects the timescale on which recovery is expected to occur.

17) Non-current liabilities

	2016 £	2015 £
Trade payables	385,000	485,000
Total	385,000	485,000

Non-current trade payables fall due in instalments over 4 years to October 2020 (2015: 5 years to October 2020).

18) Trade and other payables

	2016	2015
	£	£
Trade payables	308,008	501,444
Other taxes & social security	237,491	320,061
Corporation tax	5,776	5,776
Other payables	418,444	300,000
Accruals	656,825	482,279
Total	1,626,544	1,609,560
Credit payment profile in days	51 days	52 days

The credit payment profile in days calculation excludes the long term trade payables days which is contractually due over one year as including this long term element would skew the trade payable days.

19) Financial risk management

The group's financial instruments as at 31 December 2016 and 2015 mainly comprise cash and current asset investments, and various items arising directly from its operations, such as trade and other receivables, trade and other payables and amounts due from associate. The main purpose of these financial instruments is to provide working capital for the group. The group's policy is to obtain the highest rate of return on its cash balances and current asset investments, subject to having sufficient resources to manage the business on a day to day basis and not exposing the group to unnecessary risk of default.

(a) Risk management policies

The group's finance function is responsible for procuring the group's capital resources and maintaining an efficient capital structure, together with managing the group's market, liquidity, foreign exchange, interest and credit risk exposures.

All treasury operations are conducted within strict policies and guidelines that have been approved by the directors.

(b) Financial assets and liabilities

Financial assets and liabilities analysed by the categories were as follows:

	Currency	Loans and receivables	Financial assets at fair value through profit and loss	Other financial instruments at amortised cost	Total carrying value
As at 31 December 2016		£'000	£'000	£'000	£'000
Financial assets					
Trade receivables and accrued income	Sterling	1,179	-	-	1,179
Other receivables	Sterling	439	-	-	439
Amounts due from associate	Sterling	549	-	-	549
Cash and cash equivalents	Sterling	1,101	-	-	1,101
Current asset investments at fair value through profit and loss	US Dollars		511	-	511
Non-current investments held at cost	Sterling	-	-	89	89
Financial liabilities					
Trade payables	Sterling	-	-	(308)	(308)
Other payables	Sterling	-	-	(418)	(418)
Accruals	Sterling	-	-	(657)	(657)
Other payables > 1 year	Sterling	-	-	(385)	(385)
Total		3,268	511	(1,679)	2,100

	Currency	Loans and receivables	Financial assets at fair value through profit and loss	Other financial instruments at amortised cost	Total carrying value
As at 31 December 2015		£'000	£'000	£'000	£'000
Financial assets					
Trade receivables and accrued income	Sterling	1,082	-	-	1,082
Other receivables	Sterling	466	-	-	466
Amounts due from associate	Sterling	595	-	-	595
Cash and cash equivalents	Sterling	839	-	-	839
Current asset investments at fair value through profit and loss	US Dollars	-	205	-	205
Non-current investments held at cost	Sterling	-	-	89	89
Financial liabilities					
Trade payables	Sterling	-	-	(501)	(501)
Other payables	Sterling	-	-	(300)	(300)
Accruals	Sterling	-	-	(482)	(482)
Other payables > 1 year	Sterling	-	-	(485)	(485)
Total		2,982	205	(1,679)	1,508

The carrying value of all financial instruments is not materially different from their fair value. It is, and has been throughout the year, the group's policy that no trading in financial instruments shall be undertaken. Cash and cash equivalents attract floating interest rates. Accordingly, their carrying amounts are considered to approximate to fair value.

(c) Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in financial loss to the group. Maximum credit risk at 31 December was as follows:

	2016	2015
	£'000	£'000
Trade receivables and accrued income	1,179	1,082
Other receivables	439	466
Amounts due from associate	549	595
Current asset investments	511	205
Non-current investments	89	89
Cash and cash equivalents	1,101	839
Total	3,868	3,276

Before accepting a new customer, the group assesses both the potential customer's credit quality and risk. Customer contracts are drafted to reduce any potential credit risk to the group. Where appropriate the customer's recent financial statements are reviewed.

Trade receivables are regularly reviewed for impairment loss. The group wrote off £37,000 of accrued income during 2016 (2015: £100,000). There are no provisions for trade receivables at 31 December 2016 or 2015.

There was no amount within other receivables written off in the year (2015: £21,000).

Ageing of the trade receivables and accrued income is as follows:

	2016	2015
	£'000	£'000
Current	1,047	923
Up to 3 months	132	133
Up to 6 months	-	26
Over 6 months	-	-
Total	1,179	1,082

The total of the trade receivables which were past due at 31 December 2016 but not impaired was £nil (2015: £147,740). The total trade receivables and accrued income balance of £1,178,942 was collected by 30 April 2017. The directors are confident as to the recoverability of the remaining balance and thus no impairment of the amount has been recognised in the financial statements at 31 December 2016.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Contractual cash flows relating to the group's financial liabilities are as follows:

	2016	2015
	£'000	£'000
Trade payables (<6months)	(308)	(501)
Other payables (<6months)	(418)	(300)
Accruals (<6months)	(657)	(482)
Greater than 12 months	(385)	(485)
Cash flows on financial liabilities	(1,768)	(1,768)

(e) Interest rate risk

Interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The interest rates on cash and cash equivalents are low, such that interest rate risk is minimal.

The only interest bearing loan is in other payables and amounts to £300,000 (2015: £300,000). The interest rate is 2%. The impact of a 1% interest rate increase would represent an annual sum of £3,000 (2015: £3,000).

(f) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial assets and liabilities and investments in associates that are denominated in a currency other than the functional currency of the entity by which they are held. In 2016, the currency risk of the group relates to the cash balances it holds in USD in the Lexinta treasury and Ventury funds. The table below illustrates the impact of a change in exchange rates on results and reserves:

	31 December 2016	31 December 2015
	£'000	£'000
10% increase USD foreign exchange rate against pound sterling	35	15
10% decrease USD foreign exchange rate against pound sterling	(35)	(15)

Capital management

The group's main objective when managing capital is to protect returns to shareholders by ensuring the group will continue to trade for the foreseeable future.

The group considers its capital to include share capital, share premium, retained earnings, and other equity reserves.

	31 December 2016	31 December 2015
	£'000	£'000
Net cash	1,101	839
Total equity	2,356	1,711

The group has an undrawn overdraft facility with Barclays of up to £150,000.

20) Share capital & reserves

Group and Company

	2016		2015	
Authorised	£	No of shares	£	No of shares
Ordinary shares of 1p each	1,489,736	148,973,552	1,489,736	148,973,552
Deferred shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
Total	3,000,000	224,486,776	3,000,000	224,486,776

Issued				
Ordinary shares of 1p each	775,134	77,513,224	775,134	77,513,224
Deferred Shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
Total	2,285,398	153,026,448	2,285,398	153,026,448

Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

The deferred shares of 2p have no voting right, no rights to dividends and negligible rights on return of capital. They are not listed on any stock exchange.

The share options and warrants granted over the shares of the company are set out in note 21.

The nature and the purpose of each reserve in equity is described as follows:

Retained earnings

Cumulative profit and loss net of distribution to owners.

Share premium account

The share premium account represents the premium paid on issue of ordinary shares in excess of their nominal value.

Merger reserve

The merger reserve arises as a result of a group reorganisation where the company acquired Cellcast UK Limited which was accounted for in accordance with merger accounting principles

Warrant reserve

Warrants represent subscription rights for ordinary shares in Cellcast plc and the warrant reserve represents the fair value of the warrants at the date of issue.

21) Share options

The group operates two different share option schemes, an Enterprise Management Incentive (EMI) share option plan and a General share option plan. Options are available to be granted to directors, staff, consultants and independent contractors as part of their remuneration package and they act as an incentive to assist with the future performance of the group.

During the year ended 31 December 2016 the company had share-based payment arrangements, all of which have vested, and expire 10 years after grant as follows:

EMI share option plan

Date of grant	08/11/07	25/07/08	27/10/10
Number granted	584,510	1,200,000	900,000

General share option plan

Date of grant	25/07/08	27/10/10
Number granted	400,000	600,000

Options are forfeited if the employee leaves the group before the option vest.

Further details of share options in issue during the year are as follows:

Share options	2016 Number of options	2016 Weighted average exercise price (£)	2015 Number of options	2015 Weighted average exercise price (£)
Outstanding at 1 January	4,099,510	0.05	4,409,366	0.07
Expired during the year	(415,000)	0.14	(309,856)	0.71
Outstanding at 31 December	3,684,510	0.04	4,099,510	0.05

The share options outstanding at the end of the year have an exercise price of between £0.03 and £0.053, with a weighted average remaining contractual life of 2.25 years (2015: 1.53 years).

The following EMI options, save those granted to Mike Neville and Bertrand Folliet which are Unapproved Options, over the ordinary shares of 1 pence each have been granted to the directors and were in place at the reporting date:

	Option price £	Number granted	Date of grant
Andrew Wilson	0.04	450,000	27/10/10
Betrand Pierre Folliet	0.04	450,000	27/10/10
Emmanuelle Guicharnaud	0.03	400,000	25/07/08
	0.04	50,000	27/10/10
Mike Neville	0.03	400,000	25/07/08
	0.04	50,000	27/10/10

22) Related party transactions

Group

SMS Media Limited

In 2015 management charges totalled £168,000 (2015: £166,752). At the year-end £14,000 (2015: £14,000) was owed to SMS Media Limited, which has common directors and beneficial shareholders in Bertrand Folliet and Andrew Wilson. The management charges levied by SMS Media relate to the running cost of the company's office in Hong Kong. It is made of rent and the employment of local staff. Its purpose is undertaking business development in the Greater China, South East Asia and African regions. This resource has constituted a part of the company since November 2001.

Global Gaming Limited

During 2016 the company advanced £nil (2015: £594,900) to Global Gaming Limited, an associate of the company. At 31 December 2016 £549,428 (2015: £594,900) remained outstanding.

Company

Cellcast UK Limited

At the reporting date £2,949,078 (2015: £2,949,078) was due from Cellcast UK Limited, a subsidiary of the company, this amount is net of accumulated impairment charges recognised prior to 31 December 2015 of £3,800,001.

23) Cash flows

a) Reconciliation of profit after tax to net cash inflow / (outflow) from operating activities

	2016	2015
	£	£
Profit for the year	644,804	529,822
Income tax recognised in profit or loss	7,195	(78,384)
Fair value gains and losses	(58,196)	(28,880)
Finance costs	8,388	6,268
Amortisation and depreciation	123,470	152,702
Impairment of non-current asset investments	-	88,814
Share of results in associate	(55,906)	(7,135)
Foreign currency gain on current asset investment	(79,038)	(11,455)
Increase in trade and other receivables	(126,959)	(743,086)
Decrease in trade and other payables	(83,017)	(465,129)
Income taxes received	76,966	-
Net cash inflow / (outflow) from operating activities	457,707	(556,463)

b) Cash flow from investing activities

	2016	2015
	£	£
Purchase of property, plant and equipment	(19,010)	(55,659)
Purchase of investment in joint venture and associate	-	(4)
Refund of amounts advanced to joint venture	-	1,000,000
Investment in treasury fund	(168,350)	(165,000)
Proceeds received from non-current investment	-	25,000
Net cash (outflow) / inflow from investing activities	(187,360)	804,337

	2016	2015
	£	£
c) Cash flow from financing activities		
Interest paid	(8,388)	(6,268)
Net cash used in financing activities	(8,388)	(6,268)

	2016	2015
	£	£
d) Cash and cash equivalents		
Cash at bank	1,101,235	839,276
Cash and cash equivalents at the end of the year	1,101,235	839,276

24) Re-statement of comparative information

The notes to the 2015 financial statements of Cellcast plc contained the following inaccuracies:

Note 8 of the Cellcast plc 2015 accounts contained a typographical error and repeated the amount of dilutive ordinary shares of the previous year. The potential number of dilutive shares at 31 December 2015 was 4,099,510. This typographical error had no impact on the loss per share calculation which was correct.

The table in Note 18(b) of the Cellcast plc 2015 accounts should have included the financial assets in Note 11 (investment in 2Giraffes LLP) and Note 13 (Lexinta fund). These corrections have been made in the comparative table in the 2016 Cellcast plc accounts in Note 19.

The warrants mentioned in Note 20 of the Cellcast plc 2015 accounts were no longer exercisable, therefore this table should have been removed. This has been corrected in the current report along with other presentational corrections noted in respect of the remaining share options in issue as noted in Note 21 of the 2016 accounts.

Tel: +44 (0)203 3769 420
Company registration No. 05342662
(England and Wales)

Unit 22, Cochran Close,
Crownhill Industrial Estate,
Milton Keynes, MK8 0AJ

35 Soho Square
London W1D 3QX