

Piping Hot Networks Limited

**Directors' report and financial
statements**

Registered number 3848999

31 December 2009

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Company information

Directors	G Hobbs T Vasylevska
Company secretary	A Moore
Auditors	KPMG LLP Plym House 3 Longbridge Road Plymouth PL6 8LT
Bankers	Citigroup Canada Square Canary Wharf London E14 5LB
Registered Office	Jays Close Viabes Industrial Estate Basingstoke Hampshire RG22 4PD
Registered number	3848999

Directors' report

The directors submit their report together with the audited financial statements for the year ended 31 December 2009

Principal activities

The principal activity of the Company is the design, development and distribution of wireless Ethernet bridges to telecom service providers and the private network market

On 1 April 2010 the business was sold to Motorola Limited, a related group company, where the principal activities of Piping Hot Networks Limited will continue as a part of a business sector of Motorola Limited

Review of business and future developments

In 2009 Piping Hot Networks Limited continued to benefit from the synergies and opportunities available by being a wholly owned subsidiary of the Motorola group

The company saw satisfactory performance in its Key Performance Indicators during the year. For example

- Market share – the Company maintained its position as market leader in the global, unlicensed Point to Point ethernet bridge market,
- Roadmap delivery – Further frequency variants on the existing products were released, in anticipated timeframes. More importantly, the company successfully launched the PtP800. This is the first licensed band product produced by the Point to Point Fixed Wireless Solutions group and represents a significant step into a new, significantly larger, expanding market, and
- R & D investment – Motorola Inc continues to support Research and Development activities in the Company, investment in future product releases and so its expansion into new and incremental markets

The group continues to be an element of Motorola's Government and Public Safety division – specifically within the Wireless Networking Solutions product group. This teams the existing Wireless Broadband product group with Motorola's WLAN offering. The company's management continue to seek and take advantage of available synergies

As mentioned above, 2009 saw the launch of the PtP800 product range. Since the initial launch, additional frequency variants have been added to the portfolio. We recognise that the licensed band market has longer sales cycle times than the unlicensed market, but expect to see revenues ramping up during the second half of 2010 as the group's business development efforts start to provide returns

The year 2009, despite the challenging macro-economic environment, also saw revenues improve for the seventh successive year, together with an improvement in the movement on exchange

The licensing of Piping Hot Networks Limited's intellectual property rights to Motorola Inc continued with the company receiving a license fee, as well as charging its research and development costs to the same entity

Entries, including associated incomes, reflecting these arrangements have been made in the books of this entity in accordance with UK GAAP

Finally, as part of an initiative to rationalise the legal entity structure of Motorola in EMEA, on 1 April 2010 the business, assets and liabilities of Piping Hot Networks Limited were acquired as a going concern by Motorola Limited, a company incorporated in England and Wales

On 1st June 2010 the company sold its intellectual property rights to its shareholder, Motorola Inc

Results and dividends

The results for the year are set out on page 8 of the financial statements. The directors paid a dividend of £6,345,000 during the year in respect of the 2009 year end (2008 nil)

In addition a further dividend of £9,025,900 was paid in June 2010

Directors' report *(continued)*

Financial risk management objectives and policies

The Company's operations expose it to a variety of financial risks. Whilst the company does not have a formal risk management programme to mitigate the potential adverse effects that such risks may pose, it does monitor and take action in each of the areas as follows

Credit risk The Company has implemented policies that require appropriate credit checks on potential customers and set appropriate credit levels before sales are made. In addition, the company works closely with its distributors to ensure that any change in circumstances can be addressed

Liquidity risk The Company carefully monitors cashflow movements and projections. It plans its liquidity to ensure that the company has sufficient available funds for operations and planned expansions

Interest rate cash flow risk The Company primarily had only interest bearing liabilities. Its policy is to maintain its long term facilities at a fixed rate

Exchange rate risk The Company monitors its exposures in the foreign currencies markets however the group policy for exchange rate risk does not consider this exposure to be material

Directors and directors' interests

The directors currently holding office are shown on page 1

The directors who held office during the financial period are as follows

Graeme Hobbs

Edward Fitzpatrick *(resigned on 31st March 2010)*

Tetyana Vasylevska

Details of the directors' interests in the parent company can be found in the accounts of that company, which are available from the address given in note 21

Research and development

The Company continues to undertake research and development into new fixed wireless access solutions related products

Political or charitable donations

There were no political or charitable donations during the year

Post balance sheet events

On 1 April 2010 the entire trade, assets (excluding intellectual properties) and liabilities of the company were sold to Motorola Limited. No gain or loss arose on the sale

On 1 June 2010 the intellectual properties of the company were sold to Motorola Inc. The sale was made at fair market value based on independent valuation and the total consideration received from the sale will be recognised as a gain on sale of the intellectual properties in the 2010 Financial Statements

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information 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 to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' report *(continued)*

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



Amanda Moore
Company Secretary

Jays Close
Viabes Industrial Estate
Basingstoke, Hampshire, RG22 4PD
23 September 2010

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Independent auditors' report to the members of Piping Hot Networks Limited

We have audited the financial statements of Piping Hot Networks Limited for the year ended 31 December 2009 set out on pages 8 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Piping Hot Networks Limited
(continued)

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

Ian Brokenshire

Ian Brokenshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Plymouth

27 September 2010

Profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £000	2008 £000
Turnover	2	57,353	45,615
Cost of sales		(53,434)	(45,180)
Gross profit		3,919	435
Distribution costs		(534)	(755)
Administrative expenses		(3,639)	(3,247)
(Loss)/profit on foreign exchange		(2,128)	10,405
Research and development costs		(7,467)	(5,917)
Other operating income		16,857	15,957
Operating profit	3	7,008	16,878
Interest receivable and similar income	6	313	767
Amounts written off investments		(780)	(652)
Interest payable and similar charges	7	(7)	(8)
Profit on ordinary activities before taxation		6,534	16,985
Tax on profit on ordinary activities	8	(1,426)	(4,527)
Retained profit for the year		5,108	12,458

The Company's operations are continuing

There were no other recognised gains or losses in either the current or preceding financial period other than the profit for those financial periods

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2009

	2009 £000	2008 £000
Opening shareholder's funds	31,500	18,939
Profit for year	5,108	12,458
Dividends paid	(6,345)	-
Share options credit	178	103
Closing shareholder's funds	30,441	31,500

Balance sheet
at 31 December 2009

	<i>Note</i>	2009 £000	£000	2008 £000	£000
Fixed assets					
Tangible assets	9		1,276		1,275
Investments	10		-		1
			<hr/>		<hr/>
			1,276		1,276
Current assets					
Stocks	11	3,545		2,134	
Debtors	12	45,610		46,759	
Investments	13	6,745		950	
Cash at bank and in hand		148		1,033	
		<hr/>		<hr/>	
		56,048		50,876	
Creditors amounts falling due within one year	14	(26,462)		(20,593)	
		<hr/>		<hr/>	
Net current assets			29,586		30,283
			<hr/>		<hr/>
Total assets less current liabilities			30,862		31,559
Provisions	16		(421)		(59)
			<hr/>		<hr/>
Net assets			30,441		31,500
			<hr/>		<hr/>
Capital and reserves					
Called up equity share capital	17		447		98
Called up non-equity share capital	17		-		349
Capital contribution reserve	18		366		188
Share premium account	18		20,270		20,270
Profit and loss account	18		9,358		10,595
			<hr/>		<hr/>
Shareholder's funds			30,441		31,500
			<hr/>		<hr/>

These financial statements were approved by order of the board on
were signed on its behalf by

23 September 2010 and



Tetyana Vasylevska FCCA
Director

Registered number 3848999

Notes to the financial statements *(forming part of the financial statements)*

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Motorola Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of the ultimate parent company, Motorola Inc, within which the Company is included, can be obtained from the address in note 21.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The consolidated financial statements of the ultimate parent company, Motorola Inc, within which the Company is included, can be obtained from the address in note 21.

Turnover

Turnover represents the invoiced value of sales excluding VAT less a provision for returns. Turnover is recognised at the point goods are collected by the customer.

Intangible assets

The company expenses costs to the profit and loss account as they are incurred, in line with Motorola group policy.

Other operating income

Other operating income consists of licence income for the use of the intellectual property of Piping Hot Networks Limited and research and development income carried out on behalf of the parent company.

Licence revenue is recognised over the life of the license on an accruals basis and recognised within other operating income.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold improvements	20% per annum
Furniture and fittings	20% per annum
IT and software	33% per annum
Motor vehicles	33% per annum
Test beds	33% per annum
Tools and equipment, plant and machinery	20% per annum

Investments

These are shown at cost, less any provision for impairment There are no quoted investments

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market Liquid resources comprise investments in money market managed funds and are shown as current assets in the balance sheet

Stocks

Stocks are stated at the lower of cost and net realisable value The cost of stocks comprise the purchase price and all other directly attributable costs Where necessary, provision is made for obsolete, slow moving and defective stocks

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Foreign currencies

Transactions in foreign currencies are recorded using the average monthly rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Notes (continued)

1 Accounting policies (continued)

Pension

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Warranty provision

The warranty provision represents the liability to the Company for the repair under warranty of installed equipment. It is calculated by multiplying the historic warranty returns rate percentage to the previous quarter's revenue.

Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 and those not yet vested as at the effective date of FRS 20 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The estimated forfeiture rate may be revised in subsequent periods if actual forfeitures differ from the original estimate.

The restricted stock units programme grants employees with shares of the parent company, Motorola Inc, dependent upon the employee meeting the conditions of the grant. The fair value of the restricted stock units are calculated on a consistent basis to the share option programme.

The FRS 20 profit and loss charge is credited to a capital contribution reserve in the balance sheet which reflects the contribution that Motorola Inc is making to the Company in granting the share options.

2 Turnover

All turnover was derived from the Company's principal activities. Turnover by geographical segment is shown below.

	2009 £000	2008 £000
Geographical segment		
United States of America	40,063	27,685
Europe, Middle East and Africa	12,009	14,436
Asia Pacific	5,281	3,494
	<hr/>	<hr/>
	57,353	45,615
	<hr/>	<hr/>

Notes (continued)

3 Operating profit

The operating profit is stated after charging/(crediting)

	2009 £000	2008 £000
Depreciation – owned assets	612	519
Loss/(profit) on foreign currency transactions	2,331	(10,405)
Other income	(16,857)	(15,957)
Operating leases - other	215	140
	<u> </u>	<u> </u>

No director is accruing benefits under a money purchase pension scheme (2008 None)

Auditors' remuneration

	2009 £000	2008 £000
Audit of these financial statements	23	24
	<u> </u>	<u> </u>

4 Employee information

The average number of employees in the year was as follows

	2009 No	2008 No
Research and development	45	44
Selling, distribution and administration	25	27
	<u> </u>	<u> </u>
	70	71
	<u> </u>	<u> </u>

Costs in respect of the above employees, including executive directors, are

	2009 £'000	2008 £'000
Wages and salaries	4,219	4,491
Social security costs	515	525
Share based payments	178	103
Pension costs	279	272
	<u> </u>	<u> </u>
	5,191	5,391
	<u> </u>	<u> </u>

The Company has a defined contribution pension scheme and there were £nil outstanding or prepaid contributions at the year end (2008 £nil)

Notes (continued)

5 Remuneration of directors

The directors are remunerated by other group companies. It is not practical to allocate their remuneration between their services as directors of Piping Hot Networks Limited and as employees and directors of other companies.

6 Interest receivable and similar income

	2009 £000	2008 £000
Receivable from group undertakings	269	353
Bank interest receivable	44	228
Other	-	186
	<u>313</u>	<u>767</u>

7 Interest payable and similar charges

	2009 £000	2008 £000
Bank charges payable	7	8
	<u>7</u>	<u>8</u>

8 Tax on profit on ordinary activities

	2009 £000	2008 £000
Current tax		
Corporation tax	1,410	3,007
Adjustment in respect of previous years	(294)	-
Payment received for surrendered losses to other group companies	-	(104)
	<u>1,116</u>	<u>2,903</u>
Deferred tax		
Origination and reversal of timing differences	310	1,473
Changes in tax laws or rates	-	151
	<u>310</u>	<u>1,624</u>
Total deferred tax	<u>310</u>	<u>1,624</u>
Tax on profit on ordinary activities	<u>1,426</u>	<u>4,527</u>

Notes (continued)

8 Tax on profit on ordinary activities

The tax assessed for the period is lower (2008 lower) than the standard rate of corporation tax in the UK 28% (2008 28.5%). The differences are explained below

	2009 £000	2008 £000
Profit on ordinary activities before tax	6,534	16,985
Profit on ordinary activities multiplied by standard rate in the UK 28% (2008 28.5%)	1,830	4,840
<i>Effects of</i>		
Expenses not deductible for tax purposes	(402)	(334)
Accelerated capital allowances	(18)	39
Adjustments to tax charge in respect of previous period	(294)	(104)
Other timing differences	-	(1,538)
Current tax charge for the year	1,116	2,903

9 Tangible fixed assets

	Leasehold improvements £000	Furniture and fittings £000	IT and software £000	Motor vehicles £000	Test beds, Equipment, Plant and Machinery £000	Total £000
Cost						
At 1 January 2009	159	197	359	19	2,825	3,559
Additions	-	-	35	-	591	626
Disposals	(15)	(98)	(72)	(2)	(191)	(378)
At 31 December 2009	144	99	322	17	3,225	3,807
Depreciation						
At 1 January 2009	75	121	356	19	1,713	2,284
Charge for the year	27	24	10	-	551	612
Eliminated on disposal	(11)	(90)	(72)	(2)	(190)	(365)
At 31 December 2009	91	55	294	17	2,074	2,531
Net book value						
At 31 December 2009	53	44	28	-	1,151	1,276
At 31 December 2008	84	76	3	-	1,112	1,275

Notes (continued)

10 Investments

	Shares in group undertakings £000
Cost	
At beginning of year	1
Additions	871
Disposals	(872)
At end of year	-
Provisions	
At beginning of year	-
Impairment losses	872
Disposal	(872)
At end of year	-
Net book value	
At 31 December 2009	-
At 31 December 2008	1

The subsidiary company was

Name of Subsidiary	Principal activity	Country of registration	Shares held
Orthogon Systems LLC	Dormant	USA	Ordinary shares 100%

At the year end there was an amount of £nil due to Orthogon Systems LLC (2008 £4,167,000)

The Company made a capital contribution to Orthogon System LLC to enable the subsidiary to settle outstanding liabilities. The subsidiary was liquidated on 31st December 2009.

11 Stocks

	2009 £000	2008 £000
Raw material	858	157
Work in progress	440	259
Finished goods and goods for resale	2,247	1,718
	<u>3,545</u>	<u>2,134</u>

Notes (continued)

12 Debtors

	2009 £000	2008 £000
Trade debtors	812	24
Amounts owed from group undertakings	43,068	44,898
Other debtors	1,685	515
Deferred tax asset (see note 15)	-	102
Prepayments	45	1,220
	<u>45,610</u>	<u>46,759</u>

13 Investments (held as current assets)

	2009 £000	2008 £000
Other investments – Motorola 'Sigma fund'	<u>6,745</u>	<u>950</u>

The Company invests most of its US Dollar denominated cash in a fund (the "Sigma Fund") that is designed to provide investment returns similar to a money market fund. The Sigma Fund portfolio is managed by four premier independent investment management firms.

14 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	3,860	4,670
Amounts owed to group undertakings	21,748	12,295
Corporation tax	332	3,007
Accruals and deferred income	524	621
	<u>26,464</u>	<u>20,593</u>

15 Deferred taxation

	2009 £000	2008 £000
Deferred tax asset recognised at 1 January	102	1,726
Deferred tax charge in profit and loss account for year (see note 8)	(310)	(1,624)
Deferred tax liability December 2009	<u>(208)</u>	<u>102</u>

The deferred tax asset in 2008 is included in debtors (see note 12)

	2009 £000	2008 £000
Deferred tax (liability)/asset is made up of the following		
Accelerated capital allowances	<u>(208)</u>	<u>102</u>

Notes (continued)

16 Provision for liabilities and charges

	Deferred Taxation £000	Warranty provision £000	Total £000
At 1 January 2009	-	59	59
Created	208	154	362
Released	-	-	-
At 31 December 2009	208	213	421

The warranty provision represents the liability to the company for the repair under warranty of installed equipment

17 Share capital

	2009 £000	2008 £000
<i>Allotted, called up and fully paid</i>		
4,469,419 (2008 976 572) ordinary shares of £0 1 each	447	98
Nil (2008 2,447,700) 'C' preferred shares of £0 1 each	-	245
Nil (2008 533,331) 'D' preferred shares of £0 1 each	-	53
Nil (2008 511,816) 'E' preferred shares of £0 1 each	-	51
	447	447

The rights attached to 'C', 'D' and 'E' preferred shares are the same as ordinary shares with respect to dividends and voting rights. On winding up, the holders of the 'E' preferred shares are paid the subscription price for the shares times a factor of 1.2 and any declared but unpaid dividends, in preference to any amount paid to the holders of 'D' and 'C' preferred shares and the ordinary shares. 'D' preferred shares are paid the subscription price for their shares and any unpaid dividends, in preference to any amount paid to the holders of 'C' preferred or ordinary shares. 'C' preferred shareholders are then paid an amount equal to \$3,017,363, and any unpaid dividends, to be shared on a pro-rata basis. A further \$15,340,162 is then returned to the holders of the 'C' preferred shares, on an as-converted basis, at a rate of \$0.90 per \$1.00 and to the holders of the ordinary shares, on an as-converted basis, as a rate of \$0.10 per \$1.00. Thereafter, the rights of each type of shares are equal. Total share options in ordinary shares awarded, as at 31 December 2009, number nil (2008 nil).

On 16 February 2009 new Articles of Association were adopted by the company. All preferred shares were converted into ordinary shares on that date.

The directors have concluded that none of the above classes of share capital constitute financial liabilities in accordance with Financial Reporting Standard 25 relating to financial instruments.

Notes (continued)

18 Reserves

	Share premium	Capital contribution reserve	Profit and loss account	Total
	£000	£000	£000	£000
Brought forward as at 1 January	20,270	188	10,595	31,053
Profit for the financial year	-	-	5,108	5,108
Dividends paid	-	-	(6,345)	(6,345)
Share based payment credit	-	178	-	178
Carried forward as at 31 December	20,270	366	9,358	29,994

19 Financial commitments

The company has financial commitments in respect of non-cancellable operating leases. The rentals payable under the leases in the next year are as follows:

	Land and buildings	
	2009	2008
	£000	£000
Within two to five years	204	204
Total commitments	204	204

20 Share-based payment plans

Share options plan

Motorola Inc, the Parent Company, grants options to acquire shares of Motorola Inc common stock to certain Piping Hot Limited employees, non-employee directors and to existing option holders in connection with the merger of option plans following an acquisition. Each option granted has an exercise price of 100% of the fair market value of the common stock on the date of the grant. Most options granted have a contractual life of ten years and vest over four years. Upon the occurrence of a change in control, each share option outstanding on the date in which the change of control occurs will immediately become exercisable in full.

Under FRS 20, and using Motorola Inc assumptions, fair values and valuation models, the company recognised a charge of £173,000 (2008: £103,000) related to the share options plan. This was allocated to the profit and loss account against 'administrative expenses'.

Motorola Inc calculates the value of each employee share option, estimated on the date of grant, using the Black-Scholes option pricing model. There were no share options granted in the year; the weighted average estimated fair value of employee share options granted during 2008 was \$557,000 using the following weighted average assumptions:

	2009	2008	2007
Expected volatility	57.1%	56.4%	28.3%
Risk-free interest rate	1.9%	2.4%	4.5%
Dividend yield	0.0%	2.7%	1.1%
Expected life (years)	3.9	5.5	6.5

Notes (continued)

20 Share-based payment plans (continued)

In 2006, Motorola Inc began using the implied volatility for traded options on its stock as the expected volatility assumption required in the Black-Scholes option pricing model

The risk-free interest rate assumption is based upon the average daily closing rates during the year for US treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on Motorola Inc's historical and future expectation of dividend payouts. The expected life of employee share options represents the weighted –average period the share options are expected to remain outstanding. In 2006, Motorola Inc began using an estimated forfeiture rate of 25% based on historical data. The estimated forfeiture rate may be revised in subsequent periods if actual forfeitures differ from this estimate.

On 12 June 2009 Motorola Inc granted holders of options with exercise prices in excess of \$12 the opportunity to exchange these options for new options, with an exercise price of \$6.73. The number of 'new' options granted depended upon the exercise price and remaining life of the 'old' options and varied from one 'new' option for every 1.5 to 22.5 'old' options. These replacement options have a vesting period of two years and a total life of five years. These options are valued on an incremental fair value basis being the difference between the value of the new options granted and the total fair values of the 'old' options as computed on 12 June 2009.

The number and weighted average exercise prices of share options in 2009 are as follows:

	2009		2008	
	Shares subject to options	Wtd Avg Exercise Price (\$)	Shares subject to options	Wtd Avg Exercise Price (\$)
Options outstanding at 1 January	71,460	12.53	41,940	12.35
Options granted	-	-	33,400	4.41
Options exchanged – new granted	29,323	6.73	-	-
Options cancelled	-	-	(3,880)	12.16
Options exchanged – cancelled	(37,640)	19.67	-	-
Options outstanding at 31 December	63,143	5.58	71,460	8.65
Options exercisable at 31 December	8,560	4.74	13,625	12.19
Approximate number of employees granted options	46		46	

At 31 December 2009, the Company had £37,000 (2008 £213,000) of total unrecognised compensation expense, net of estimated forfeitures, related to share option plans.

Notes (continued)

20 Share-based payment plans (continued)

The following table summarises information about share options exercisable and outstanding at 31 December 2009

	Options outstanding		Options exercisable	
	Number of options	Wtd Avg exercise price (\$)	Number of options	Wtd Avg exercise price (\$)
Under \$7	62,723	5.48	8,350	4.41
\$14 - \$21	420	17.84	210	17.84
	<u>63,143</u>	<u>5.58</u>	<u>8,560</u>	<u>4.74</u>

The valuation for the Piping Hot Networks Limited equity settled share based payments scheme was based on the valuation of the subscription price discounted for differences in share class rights, the trading prospects of the company, and liquidity. This was the directors' best estimate of the cost of these share based payments to the company.

Restricted Stock Units

Restricted stock units ("RSU") grants consist of shares or the rights to shares of Motorola Inc common stock which are awarded to employees and non-employee directors. The grants are restricted such that they are subject to substantial risk of forfeiture and to restrictions on their sale or other transfer by the employee. Upon the occurrence of a change in control, the restrictions on all shares outstanding on the date on which the change in control occurs will lapse.

Under FRS 20, and using Motorola Inc assumptions, fair values and valuation models, the Company recognised £124,000 (2008 £68,000) of expense related to restricted stock units. This expense was allocated to the profit and loss account within administrative expenses.

Restricted stock unit activity was as follows

	2009		2008	
	Number	Wtd Avg grant date fair value (\$)	Number	Wtd Avg grant date fair value (\$)
Shares outstanding at 1 January	51,158	9.17	-	-
Shares granted	70,960	6.13	51,158	9.17
Shares converted to stock	(12,790)	9.17	-	-
Options outstanding at 31 December	<u>109,328</u>	<u>7.20</u>	<u>51,158</u>	<u>9.17</u>
Approximate number of employees granted options	<u>50</u>		<u>46</u>	

Notes (continued)

20 Share-based payment plans (continued)

The weighted average grant date fair value for shares granted in the year is taken from the Motorola Inc audited financial statements for the year ended 31 December 2009

At 31 December 2009, the Company had £261,000 (2008 £140,000) of total unrecognised compensation expenses related to restricted stock units

Share-based payment presentation

The total expense recognised for the period arising from share based payments is as follows

	2009 £000	2008 £000
Motorola equity settled share based payments	178	103
Addition to capital contribution reserve	178	103

21 Ultimate controlling party

The ultimate parent company and the ultimate controlling party is Motorola Inc, incorporated in the USA

The only group into which this company is consolidated is Motorola Inc. Copies of the financial statements of the above company may be obtained from Motorola Inc, 1303 East Algonquin Road, Schaumburg, Illinois 60196, USA. Alternatively, they may be viewed on the worldwide web at the following address, <http://www.mot.com>

22 Post balance sheet events

On 1 April 2010 the entire trade, assets (excluding intellectual properties) and liabilities of the company were sold to Motorola Limited. The sale was made at fair value, which corresponded to book value, and no gain or loss therefore arose on the sale.

On 1 June 2010 the intellectual properties of the company were sold to Motorola Inc. The sale was made at fair market value based on independent valuation and the total consideration received from the sale will be recognised as the gain on sale of the intellectual properties in the 2010 Financial Statements.