VNC Group Limited

Annual Report and Financial Statements

31 December 2011

Directors
Dr A C Harter
Professor A Hopper
T J Richardson

Secretary
T McGuire

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Regıstered No 05822974

Directors' report

The dırectors present theır report and financıal statements for the year ended 31 December 2011

Principal activıtıes

The company's prıncıpal actıvıtıes durıng the year contınued to be software development, lıcensıng, sales and sales

Results and dividends

The profit for the year after taxatıon amounted to £6,441,685 (2010 – profit of £1,187,206) The dırectors do not recommend a final dıvıdend (2010 – £nıl)

The group's key financıal and other performance ındıcators over the past 3 years were as follows

	2011	*2010*	*2009*
	£000's	*£000's*	*£000's*
Turnover	12,784	5,117	3,627
Profit on ordınary actıvıtıes before taxatıon	7,529	1,054	720
Profit for the financıal year	6,442	1,187	636
Shareholders' funds	10,509	4,065	2,876

Business review

Durıng the year the group has produced a set of strong busıness results wıth strong cash reserves These results have been achıeved by delıverıng hıgh-qualıty software solutıons at a compellıng prıce poınt, together wıth further development of the OEM lıcensıng busıness and strategıc partnershıps and collaboratıons

Developments

The group contınued to sıgnıficantly reınvest profits ınto ınternal R&D for specıfic new strategıc product areas, ıncludıng mobıle, hosted servıces and automotıve

Risks

Revenue ıs strongly ınternatıonal, whıch exposes the group to general global economıc uncertaıntıes and exchange rate fluctuatıons

Events since the balance sheet date

There have been no materıal events sınce the balance sheet date

Directors' report (continued)

Going concern

The company has access to considerable financial resources and as a result the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence in the foreseeable future Accordingly, the company continues to adopt the going concern basis in preparing its accounts

Directors

The directors who served the company during the year were as follows

Dr A C Harter
Professor A Hopper
T J Richardson

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board

A C. Harter

Dr A C Harter
Director
Date 25/9/12

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of VNC Group Limited

We have audited the financial statements of VNC Group Ltd for the year ended 31 December 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

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 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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 VNC Group Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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

Ernst & Young LLP

Tony McCartney, Senior Statutory Auditor
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Cambridge
Date 25/9/2012.

Consolidated Profit and loss account

for the year ended 31 December 2011

	Notes	*2011* £	*2010* £
Turnover	2	12,784,394	5,116,556
Cost of sales		(153,992)	(164,832)
Gross profit		12,630,402	4,951,724
Administrative expenses		(5,198,612)	(3,919,761)
Operating profit	3	7,431,790	1,031,963
Interest receivable and similar income	6	97,444	22,398
Profit on ordinary activities before taxation		7,529,234	1,054,361
Tax	7	(1,087,549)	132,845
Profit for the financial year		6,441,685	1,187,206

All operations of the Group continued throughout the year

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2011

There are no recognised gains or losses other than the loss attributable to the shareholders of the Group of £6,441,685 in the year ended 31 December 2011 (2010 – profit of £1,187,206)

Consolidated Balance sheet

at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Intangible assets	9	8,240	8,240
Tangible assets	10	112,793	-
Investments	11	157,693	157,693
		278,726	165,933
Current assets			
Debtors	12	1,292,007	1,058,906
Cash at bank and in hand		10,919,220	3,656,571
		12,211,227	4,715,477
Creditors amounts falling due within one year	13	(1,707,532)	(221,793)
Net current assets		10,503,695	4,493,684
Total assets less current liabilities		10,782,421	4,659,617
Creditors amounts falling due after more than one year	14	(263,986)	(594,213)
Provisions for liabilities	15	(9,494)	-
Net assets		10,508,941	4,065,404
Capital and reserves			
Called up share capital	16	5,458	5,364
Share premium	17	3,565	1,807
Profit and loss account	17	10,499,918	4,058,233
Shareholders' funds		10,508,941	4,065,404

These report and financial statements were approved by the directors and authorised for issue on 25 September 2012 and are signed on their behalf by

A. Harter

Dr A C Harter

Director

Date 25/9/12

Registered No 05822974

Parent Company Balance Sheet

at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	11	5,334	5,334
Current assets			
Debtors	12	3,689	1,837
Total assets less current liabilities		9,023	7,171
Capital and reserves			
Called up share capital	15	5,458	5,364
Share Premium	16	3,565	1,807
Shareholders' funds		9,023	7,171

A. Harter

Dr A C Harter
Director
Date 25/9/12

Consolidated Group Cash Flow Statement

At 31 December 2011

	Notes	*2011*	*2010*
		£	*£*
Cash flow from operating activities			
Profit for the year		6,441,685	1,187,206
Income tax	7	1,087,549	(132,845)
Net finance revenue		(97,444)	(22,398)
Depreciation of property, plant & equipment		22,558	1,274
Changes in working capital			
Trade and other receivables		(268,101)	(81,820)
Trade and other payables		112,457	(61,189)
Net cash generated from operating activities		7,298,704	890,228
Cash flows from investing activities			
Purchase of property, plant and equipment		(135,351)	-
Proceeds from sales of shares		1,852	1,641
Interest received		97,444	22,398
Net cash used in investing activities		(36,055)	24,039
Net increase in cash and cash equivalents		7,262,649	914,267
Opening cash and cash equivalents		3,656,571	2,742,304
Closing cash and cash equivalents		10,919,220	3,656,571

Notes to the financial statements

31 December 2011

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Principles

The principle accounting policies have been applied consistently throughout the year and preceding year

Basis of consolidation

The Group financial statements are made up to 31 December 2011 and consolidate the financial statements of VNC Group Limited and Real VNC Limited No profit and loss account is presented for VNC Group Limited as permitted by section 408 of the Companies Act 2006

Entities, other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates In the Group financial statements, associates are accounted for using the equity method

Going concern

The company has access to considerable financial resources and as a result the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence in the foreseeable future Accordingly, the company continues to adopt the going concern basis in preparing its accounts

Intangible fixed assets

The recorded intangible asset represents a web site domain name with an indefinite economic life and as such, the asset is not amortised

The carrying value of intangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

Tangible fixed assets

Tangible fixed assets are stated at cost

Depreciation is provided on all tangible fixed assets at the following rates in order to write off each asset over its estimated useful life

Plant and machinery	–	33⅓% on cost per annum straight line
Office and computer equipment	–	25% per annum straight line
Computer assets with a cost of less than	–	£2,000 are written off in the year of expenditure

Investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Research and development

Expenditure on research and development is written-off in the year in which it is incurred, unless in certain strictly defined circumstances set out under SSAP 13 In such situations where all the relevant criteria is met, development expenditure is capitalised to the extent that its recovery can be reasonable regarded as assured Such deferred development costs are amortised over their expected useful life

Notes to the financial statements (continued)

1. Accountıng policıes (continued)

Revenue recognition

Revenue ıs recognısed ın lıne wıth the company's ongoıng oblıgatıons under the lıcence contracts Certaın lıcences requıre a hıgh degree of modıficatıon and customısatıon provıded through the maıntenance and support servıces to enable approprıate usage by the customer Revenue from both the ınıtıal lıcence fees as well as the maıntenance and support fees are ınıtıally reported as deferred ıncome and ıs transferred to the profit and loss over the perıod over whıch the company ıs oblıgated to provıde maıntenance and support servıces

Turnover

Turnover represents the sale of software lıcences and support net of value added tax

Deferred taxation

Deferred taxatıon ıs recognısed ın respect of all tımıng dıfferences that have orıgınated but not reversed at the balance sheet date where transactıons or events have occurred at that date that wıll result ın an oblıgatıon to pay more, or rıght to pay less or to receıve more, tax, wıth the followıng exceptıons

- Provısıon ıs made for deferred taxatıon that would arıse on remıttance of the retaıned earnıngs of subsıdıarıes, assocıates and joınt ventures only to the extent that, at the balance sheet date, dıvıdends have been accrued as receıvable
- Deferred tax assets are recognısed only to the extent that the dırectors consıder that ıt ıs more lıkely than not that there wıll be suıtable taxable profits from whıch the future reversal of the underlyıng tımıng dıfferences can be deducted

Deferred tax ıs measured on an undıscounted basıs at the tax rates that are expected to apply ın the perıods ın whıch tımıng dıfferences reverse, based on tax rates and laws enacted or substantıvely enacted at the balance sheet date

Foreign currencies

Transactıons ın foreıgn currencıes are translated ınto Sterlıng at the rate of exchange rulıng at the date of the transactıon Assets and lıabılıtıes ın foreıgn currencıes are translated ınto Sterlıng at the rates of exchange rulıng at the balance sheet date Exchange dıfferences are taken ınto account ın arrıvıng at the operatıng result

Operating leases

Rentals applıcable to operatıng leases where substantıally all of the benefits and the rısks of ownershıp remaın wıth the lessor, are charged agaınst profit on a straıght lıne basıs over the lease term

Pensions

The company operates a defined contrıbutıon pensıon scheme Contrıbutıons payable to the company's pensıon scheme are charged to the profit and loss account ın the perıod to whıch they relate

Share based payments

The cost of equıty-settled transactıons wıth employees ıs measured by reference to the faır value at the date at whıch they are granted and ıs recognısed as an expense over the vestıng perıod, whıch ends on the date on whıch the relevant employees become fully entıtled to the award Faır value ıs determıned by an external valuer usıng an approprıate prıcıng model In valuıng equıty-settled transactıons, no account ıs taken of any vestıng condıtıons, other than condıtıons lınked to the prıce of the shares of the company (market condıtıons)

No expense ıs recognısed for awards that do not ultımately vest, except for awards where vestıng ıs condıtıonal upon a market condıtıon, whıch are treated as vestıng ırrespectıve of whether or not the market condıtıon ıs satısfied, provıded that all other performance condıtıons are satısfied

Notes to the financial statements (continued)

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report

An analysis of turnover by geographical market is given below

	2011	*2010*
	£	*£*
UK	783,504	548,495
Non UK sales	12,000,890	4,568,061
	12,784,394	5,116,556

3. Operating profit

This is stated after charging

	2011	*2010*
	£	*£*
Auditors' remuneration – audit of the financial statements	-	-
– audit of subsidiary undertakings	10,000	10,000
– tax compliance services	6,000	3,000
Depreciation of owned fixed assets	22,558	1,274
Foreign exchange differences	69,933	126,358

4 Directors' remuneration

	2011	*2010*
	£	*£*
Remuneration	248,000	245,908
Contributions paid to defined contribution pension schemes	13,080	12,150
	No	*No*
Members of defined contribution pension schemes	3	3

The aggregate remuneration of the highest paid director was £150,000 (2010 – £144,000) and pension contributions of £7,200 (2010 – £6,450) were made to a money purchase scheme on his behalf None of the directors received or exercised shares for qualifying services in the current or prior year

Notes to the financial statements (continued)

5. Staff costs

	2011	*2010*
	£	*£*
Wages and salaries	3,140,134	2,095,905
Social security costs	326,886	298,716
Other pension costs	120,217	105,251
	3,587,237	2,499,872

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

	No	*No*
Research and development	47	27
Administrative staff	22	29
	69	56

6. Interest receivable and similar income

	2011	*2010*
	£	*£*
Interest receivable on monies places on deposit	97,444	22,398

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up of follows

	2011	*2010*
	£	*£*
Current Tax		
UK Corporation Tax on profits of the period	1,078,055	-
Adjustments in respect of prior periods	-	(132,845)
	1,078,055	(132,845)
Deferred Tax		
Originating and reversal of timing differences (Note 15)	9,494	-
Tax on profit of ordinary activities	1,087,549	(132,845)

Notes to the financial statements (continued)

7. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 26 50% (2010 28 00%) The differences are reconciled below

	2011	2010
	£	£
Profit on ordinary activities before tax	7,529,234	1,054,361
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 26 50% (2010 28 00%)	1,995,247	295,221
Effect of		
Expenses not deductible for tax purposes	1,612	1,574
Capital Allowances in excess of depreciation	(12,218)	(201)
Other timing differences	(72)	(3,055)
Adjustments in respect of prior periods	-	(132,845)
Utilisation of brought forward tax losses	(125,027)	82,144
R&D enhanced deduction	(781,487)	(375,683)
Total Current Tax	1,078,055	(132,845)

(c) Factors that may affect future tax charges

Finance Act 2011, enacted on 19 July 2011, reduced the main rate of corporation tax to 26% from 1 April 2011 and to 25% from 1 April 2012 Deferred tax has been restated accordingly in these financial statements

The UK government announced on 21 March 2012 further reductions in the standard rate of corporation tax to 24% from 1 April 2012, which was enacted by Finance Act 2012 on 17 July 2012, and by a further 1% per annum to 22% from 1 April 2014 These reductions had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements

Finance Act 2011 also enacted a reduction from 1 April 2012 in the rate of capital allowances applicable to plant and machinery and to integral features from 20% to 18% and from 10% to 8% respectively

The above changes to the rates of corporation tax and capital allowances will impact the amount of future cash tax payments to be made by the group

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £Nil (2010 £Nil)

Notes to the financial statements (continued)

9. Intangible fixed assets

Group	*Domain name* £
Cost	
At 1 January 2011 and 31 December 2011	8,240
Net book value	
At 1 January 2011 and 31 December 2011	8,240

The Parent company held no intangible fixed assets in the year (2010 £Nil)

10. Tangible fixed assets

Group	*Plant and machinery,* £	*Office and computer equipment* £	*Total* £
Cost or valuation			
At 1 January 2011	10,156	31,263	41,419
Additions	-	135,351	135,351
At 31 December 2011	10,156	166,614	176,770
Depreciation			
At 1 January 2011	10,156	31,263	41,419
Provided during the year	-	22,558	22,558
At 31 December 2011	10,156	53,821	63,977
Net Book Value			
At 31 December 2011	-	112,793	112,793
At 31 December 2010	-	-	-

The parent company held no tangible fixed assets in the year (2010 £Nil)

11. Investments

Group	*Associated undertakings* £
Cost	
At 1 January 2011 and 31 December 2011	200,000
Provisions	
At 1 January 2011 and 31 December 2011	42,307
Net book value	
At 1 January 2011 and 31 December 2011	157,693

Notes to the financial statements (continued)

11. Investments (continued)

The group's investments at the balance sheet date in the share capital of investee companies include the following

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*	*Country of incorporation*
Adventiq Limited	Ordinary shares	20 72%	High technology	England and Wales

Parent company	*Subsidiary undertakings*
	£
Cost	
At 1 January 2011 and 31 December 2011	5,334

The company's investments at the balance sheet date in the share capital of companies include the following

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
VNC Limited	Ordinary shares	100%	Dormant
RealVNC Limited	Ordinary shares	100%	Software publishing and research

12. Debtors

	2011	*Group 2010*	*2011*	*Parent Company 2010*
	£	*£*	*£*	*£*
Trade debtors	1,076,011	787,698	-	-
Amounts owed by Group undertakings	-	-	3,689	1,837
Other debtors	6,474	71,084	-	-
Prepayments and accrued income	109,522	65,124	-	-
Corporation tax recoverable	-	35,000	-	-
	1,192,007	958,906	3,689	1,837
Amounts falling due after more than one year				
Associated company loan	100,000	100,000	-	-
	1,292,007	1,058,906	3,689	1,837

Notes to the financial statements (continued)

13. Creditors: amounts falling due within one year

Group	*2011*	*2010*
	£	£
Trade creditors	95,434	53,700
Current corporation tax	1,043,055	-
Other taxes and social security costs	103,600	81,732
VAT	(1,608)	2,922
Other creditors	7,103	-
Accruals and deferred income	459,786	83,007
Pension creditor	162	432
	1,707,532	221,793

The parent company had no creditors in the period (2010 £Nil)

14. Creditors: amounts falling due after more than one year

Group	*2011*	*2010*
	£	£
Accruals and deferred income	263,986	594,213
	263,986	594,213

15. Deferred Tax

	Deferred Tax
	£
At 1 January 2011	-
Profit and Loss account	9,494
At 31 December 2011	9,494

The provision for deferred tax consists of	*2011*	*2010*
		£
Accelerated for Capital Allowances	9,535	-
Other timing differences	(41)	-
Provision for deferred tax	9,494	-

Notes to the financial statements (continued)

16. Issued share capital

Group and Parent company		*2011*		*2010*
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	545,777	5,458	536,377	5,364

17. Movements on reserves

Group	*Share Capital*	*Share Premium*	*Profit and Loss Account*
	£	*£*	*£*
At 1 January 2010	5,343	187	2,871,027
Share purchase	21	1,620	-
Profit for the financial year	-	-	1,187,206
At January 2011	5,364	1,807	4,058,233
Share purchase	94	1,758	-
Profit for the financial year	-	-	6,441,685
At 31 December 2011	5,458	3,565	10,499,918

Parent company

The change in the parent company share capital and share premium accounts is the same as the group changes above The increase in ordinary shares relates to the exercise of share options as disclosed in Note 22

18. Events since the balance sheet date

There have been no material events since the balance sheet

19. Pensions

During the year under review the group operated a small self administered pension scheme in respect of the staff and directors The assets of the scheme are held and managed by an independent pension fund The pension cost represents contributions payable by the group and amounted to £120,217 (2010 – £105,251) Contributions totalling £162 (2010 – £432) were payable to fund at the end of the year and are shown within other creditors

	2011	*2010*
	No	*No*
Members of defined contribution pension schemes	47	34

Notes to the financial statements (continued)

20. Other financial commitments

At 31 December 2011 the Group had annual commitments under non-cancellable operating leases as set out below

Land and buildings	*2011* £	*2010* £
Operating leases which expire		
Within one year	72,220	73,469

21. Development expenditure

Expenditure of £103,184 has been written off in the period, of which £59,657 was capitalised in the previous year and has been written off in accordance with SSAP 13

22. Share Based Payments

Share options have been granted in respect of the Ordinary shares issued by the company

The fair value of share-based payments in respect of employee services received during the year to 31 December 2011 is £3,517 (2010 - £7,221) As it is unlikely that the options will vest in the near future no charge has been made in the accounts

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows

	2011		2010	
	Weighted average Exercise price £	**Number of Options**	**Weighted average Exercise price**	**Numbe r of Options**
Outstanding at the beginning of the year	0 61	43,706	0 63	49,351
Granted		-		-
Forfeited	0 79	(1,254)	0 79	(3,568)
Exercised	0 197	(9,400)	0 79	(2,077)
Lapsed		-		-
Outstanding at the end of the year	0 71	33,052	0 61	43,706
Exercisable at the end of the year		18,626		21,127

23. Share Based Payments (contınued)

Share optıons outstandıng at the end of the year have the followıng expıry date and exercıse prıces

	Number of optıons			
Date granted	2011	2010	Period of options	Price per share
24 November 2006	4,200	13,600	10 years	£0 197
28 November 2009	28,852	30,106	10 years	£0 79
	33,052	43,706		

The optıons are held by 25 (2010 26) dırectors and employees of the company An exıt event, defined as a share sale, an asset sale or a lıstıng wıll trıgger the optıons

The faır value of optıons granted ıs estımated as at the date of grant usıng a Black-Scholes valuatıon model, takıng ınto account the terms and condıtıons upon whıch the optıons were granted

The followıng table lısts the ınputs to the model used for the optıons granted on 24 November 2006 and 28 November 2009

Date granted	24 Nov 2006	28 Nov 2009
Dıvıdend yıeld (%)	0	0
Expected share prıce volatılıty (%)	40	40
Rısk-free ınterest rate	5 5	1 0
Expected lıfe of optıons (years)	10	10
Weıghted average share prıce (£)	0 197	0 79

The volatılıty measured at the standard devıatıon of contınuously compounded share returns ıs based on sımılar valuatıons for entıtıes of a sımılar sıze and nature

24. Related party transactıons

There has been no tradıng actıvıty between VNC Group and ıts subsıdıary Real VNC Lımıted ın the perıod

Wıthın debtors ıs a loan due from Adventıq Lımıted, a company ın whıch RealVNC Lımıted holds 20 72% of the ıssued share capıtal The total amount of ınterest charged to the fınancıal statements ın the year under revıew amounted to £Nıl (2010 – £22,398)

Real VNC Lımıted also ınvoıced Adventıq Ltd on normal commercıal terms of £45,675 (2010 – £36,060) ın respect of royaltıes The amount due to RealVNC Lımıted at the end of the year ıs £33,158 (2010 – £3,243) and ıs shown as part of trade debtors