

Registered No. 05822974

# **VNC Group Limited**

## **Report and Financial Statements**

31 December 2013

TUESDAY



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19/08/2014

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COMPANIES HOUSE

**Directors**

A C Harter  
A Hopper  
T J Richardson

**Secretary**

T McGuire

**Auditors**

Ernst & Young LLP  
One Cambridge Business Park  
Cowley Road  
Cambridge CB4 0WZ

**Bankers**

Barclays Plc  
28 Chesterton Road  
Cambridge CB4 3AZ

**Solicitors**

Taylor Vinters  
Merlin Place  
Milton Road  
Cambridge CB4 0DP

**Registered Office**

Betjeman House  
104 Hills Road  
Cambridge CB2 1LQ

## Strategic report

### Principal activities and review of the business

The group's principal activities during the year continued to be development, licensing, support and sales of remote access software for desktop and mobile platforms.

The group's key financial and other performance indicators over the past two years were as follows:

	2013 £000	2012 £000
Turnover	7,690	6,561
Profit on ordinary activities before taxation	1,481	909
Profit for the financial year	1,492	1,639
Shareholders' funds	13,640	12,148
Cash reserves	10,876	10,910

During the year the company has produced another set of strong business results with strong cash reserves. These results have been achieved by delivering high-quality software solutions at a compelling price point, together with further development of the OEM licensing business and strategic partnerships and collaborations.

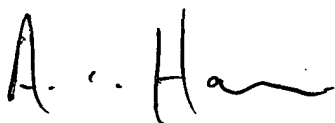
### Future developments

The group continued to significantly reinvest profits into internal R&D for specific new strategic product areas, including mobile, hosted services and automotive. This is expected to continue on an ongoing basis as the company broadens its products and applications.

### Principal risks and uncertainties

Revenue is strongly international, which exposes the group to general global economic uncertainties and exchange rate fluctuations.

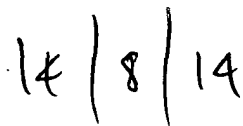
On behalf of the Board



Dr A C Harter

Director

Date



Registered No. 05822974

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

### Results and dividends

The group profit for the year after taxation amounted to £1,492,171 (2012 – profit of £1,638,793). The directors do not recommend a final dividend (2012 – £nil).

### Events since the balance sheet date

There have been no material events since the balance sheet date.

### Going concern

The group 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 group has adequate resources to continue in operational existence in the foreseeable future. Accordingly, the group continues to adopt the going concern basis in preparing its financial statements.

### Directors

The directors who served the group during the year were as follows:

A C Harter  
A Hopper  
T J Richardson

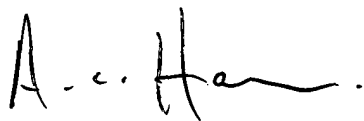
### Disclosure of information to the auditors

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 group'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



Dr A C Harter  
Director  
Date

14 / 8 / 14

## 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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.

# **Independent auditors' report**

## **to the members of VNC Group Limited**

We have audited the financial statements of VNC Group Limited for the year ended 31 December 2013 which comprise Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 21. 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 undertaking'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 undertaking's affairs as at 31 December 2013 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

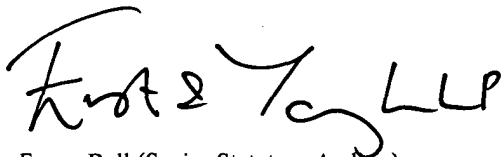
## Independent auditors' report (continued)

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

A handwritten signature in black ink, appearing to read 'Fraser Bull' followed by 'LLP'.

Fraser Bull (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP (Statutory Auditor)  
Cambridge

Date

14 August 2014

## Group profit and loss account

for the year ended 31 December 2013

	Notes	2013 £	2012 £
<b>Turnover</b>	2	7,689,659	6,561,584
Cost of sales		(197,881)	(178,731)
<b>Gross profit</b>		7,491,778	6,382,853
Administrative expenses		(6,116,160)	(5,667,427)
<b>Operating profit</b>	3	1,375,618	715,426
Interest receivable and similar income	6	105,413	193,493
<b>Profit on ordinary activities before taxation</b>		1,481,031	908,919
Tax	7	11,140	729,874
<b>Profit for the financial year</b>	16	1,492,171	1,638,793

All amounts relate to continuing activities.

## Group statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,492,171 in the year ended 31 December 2013 (2012 – profit of £1,638,793).

## Group balance sheet

at 31 December 2013

	Notes	2013 £	2012 £
<b>Fixed assets</b>			
Intangible assets	9	8,240	8,240
Tangible assets	10	425,226	189,555
Investments	11	1,157,693	157,693
		<u>1,591,159</u>	<u>355,488</u>
<b>Current assets</b>			
Debtors	12	2,022,732	1,895,435
Cash at bank and in hand		10,876,516	10,909,815
		<u>12,899,248</u>	<u>12,805,250</u>
<b>Creditors: amounts falling due within one year</b>	13	(850,005)	(980,560)
<b>Net current assets</b>		<u>12,049,243</u>	<u>11,824,690</u>
<b>Total assets less current liabilities</b>		<u>13,640,402</u>	<u>12,180,178</u>
<b>Creditors: amounts falling due after more than one year</b>	14	-	(20,962)
<b>Provisions for liabilities</b>			
Deferred tax	7(c)	-	(10,985)
<b>Net assets</b>		<u>13,640,402</u>	<u>12,148,231</u>
<b>Capital and reserves</b>			
Called up share capital	15	5,464	5,464
Share premium	16	4,055	4,055
Profit and loss account	16	13,630,883	12,138,712
<b>Shareholders' funds</b>	16	<u>13,640,402</u>	<u>12,148,231</u>

The report and financial statements were approved by the directors and authorised for issue on 14 August 2014 and are signed on their behalf by

A. C. Harter

Dr A C Harter  
Director  
Date

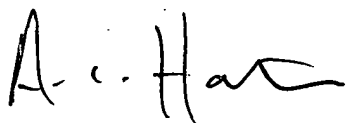
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**Company balance sheet**

at 31 December 2013

	Notes	2013 £	2012 £
<b>Fixed assets</b>			
Investments	11	5,334	5,334
<b>Current assets</b>			
Debtors	12	4,185	4,185
<b>Net assets</b>		<u>9,519</u>	<u>9,519</u>
<b>Capital and reserves</b>			
Called up share capital	15	5,464	5,464
Share premium	16	4,055	4,055
<b>Shareholders' funds</b>		<u>9,519</u>	<u>9,519</u>

The report and financial statements were approved by the directors and authorised for issue on 14 August 2014 and are signed on their behalf by



Dr A C Harter  
Director  
Date

14 / 8 / 14

## Group statement of cash flows

for the year ended 31 December 2013

	Note	2013 £	2012 £
<b>Cash flow from operating activities</b>			
Profit for the year		1,492,171	1,638,793
Income tax	7	(11,140)	(729,874)
Net finance revenue		(105,413)	(193,493)
Depreciation of property, plant and equipment		109,555	68,938
Payments of income tax		(33,435)	(551,354)
<b>Changes in working capital</b>			
Trade and other receivables		(93,707)	(357,278)
Trade and other payables		(151,517)	66,574
<b>Net cash (used in)/generated from operating activities</b>		<u>1,206,514</u>	<u>(57,694)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(345,226)	(145,700)
Purchase of bonds classified as investment		(1,000,000)	-
Proceeds from sales of shares		-	496
Interest received		105,413	193,493
<b>Net cash (used in)/generated from investing activities</b>		<u>(1,239,813)</u>	<u>48,289</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(33,299)</u>	<u>(9,405)</u>
<b>Opening cash and cash equivalents</b>		<u>10,909,815</u>	<u>10,919,220</u>
<b>Closing cash and cash equivalents</b>		<u>10,876,516</u>	<u>10,909,815</u>

## Notes to the financial statements

at 31 December 2013

### 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.

#### *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 financial statements.

#### *Group financial statements*

The Group financial statements are made up to 31 December 2013 and group the financial statements of VNC Group Limited and RealVNC 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.

#### *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.		

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

#### *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.

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### *Research and development*

Expenditure on research and development is written-off in the year in which it is incurred.

#### *Revenue recognition*

Revenue is recognised in line with the company's ongoing obligations under the licence contracts. Certain licences require a high degree of modification and customisation provided through the maintenance and support services to enable appropriate usage by the customer. Revenue from both the initial licence fees as well as the maintenance and support fees are initially reported as deferred income and is transferred to the profit and loss over the period over which the company is obligated to provide maintenance and support services.

#### *Turnover*

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

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Foreign currencies*

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

#### *Operating leases*

Rentals applicable to operating leases where substantially all of the benefits and the risks of ownership remain with the lessor, are charged against profit on a straight line basis over the lease term.

#### *Pensions*

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### *Share-based payments*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

### 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 strategic report.

An analysis of turnover by geographical market is given below:

	2013 £	2012 £
UK	450,626	462,752
Non UK sales	7,239,033	6,098,832
	<u>7,689,659</u>	<u>6,561,584</u>

### 3. Operating profit

This is stated after charging:

	2013 £	2012 £
Auditors' remuneration – audit services for Company and Group	1,000	1,000
– audit services for subsidiaries	10,500	10,000
– audit related assurance services	6,300	6,300
– tax compliance services	6,675	3,000
Depreciation of owned fixed assets	<u>109,555</u>	<u>68,938</u>
Research and development expenditure	2,939,045	2,990,572
Operating lease rentals – land and buildings	156,100	144,187
Foreign exchange differences	<u>257,628</u>	<u>6,492</u>

## Notes to the financial statements

at 31 December 2013

### 4. Directors' remuneration

	2013	2012
	£	£
Remuneration	<u>271,480</u>	<u>253,710</u>
Company contributions paid to defined contribution pension schemes	<u>12,360</u>	<u>12,270</u>
	<i>No.</i>	<i>No.</i>
Members of defined contribution pension schemes	<u>3</u>	<u>3</u>

The aggregate remuneration of the highest paid director was £168,400 (2012 – £150,000) and company pension contributions of £7,560 (2012 – £7,200) were made to a money purchase scheme on his behalf. None of the directors received or exercised share options for qualifying services in the current or prior year.

The above remuneration is paid by RealVNC Limited.

### 5. Staff costs

	2013	2012
	£	£
Wages and salaries	3,360,670	3,439,276
Social security costs	414,790	412,249
Other pension costs	117,134	147,109
	<u>3,892,594</u>	<u>3,998,634</u>

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

	<i>No.</i>	<i>No.</i>
Research and development	52	50
Administrative	30	30
	<u>82</u>	<u>80</u>

### 6. Interest receivable and similar income

	2013	2012
	£	£
Interest receivable on monies placed on deposit	<u>105,413</u>	<u>193,493</u>

## Notes to the financial statements

at 31 December 2013

### 7. Tax

(a) Tax on profit on ordinary activities

The tax (credit) is made up as follows:

	2013	2012
	£	£
<b>Current tax:</b>		
UK corporation tax on profit of the period	–	(698,337)
Adjustments in respect of prior periods	(33,764)	(34,382)
Foreign tax	33,609	1,354
	<u>(155)</u>	<u>(731,365)</u>
<b>Deferred tax:</b>		
Originating and reversal of timing differences (note 7(c))	(11,296)	1,825
Effect of changes in tax rate on opening liability	311	(334)
Tax on profit on ordinary activities	<u>(11,140)</u>	<u>(729,874)</u>

(b) Factors affecting current tax (credit) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013	2012
	£	£
Profit on ordinary activities before tax	<u>1,481,031</u>	<u>908,919</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 23.25% (2012 – 24.5%)	344,340	222,685
<b>Effect of:</b>		
Expenses not deductible for tax purposes	(6,353)	6,811
Capital Allowances in excess of depreciation	(39,247)	4,010
Other timing differences	(654)	648
Adjustments in respect of prior periods	(33,764)	(34,382)
Higher taxes on overseas earnings	33,609	1,354
Utilisation of brought forward tax losses	556,074	–
Difference in tax rates on losses carried back	–	(52,534)
R&D enhanced deduction	<u>(854,160)</u>	<u>(879,957)</u>
Current tax for the year (note 7(a))	<u>(155)</u>	<u>(731,365)</u>

## Notes to the financial statements

at 31 December 2013

### 7. Tax (continued)

(c) Deferred tax

	£
At 1 January 2013	10,985
Profit and Loss account	(28,618)
Adjustment in respect of prior years	17,633
At 31 December 2013	<u>—</u>

The provision for deferred tax consists of:

	2013 £	2012 £
Accelerated Capital Allowances	—	11,632
Other timing differences	—	(647)
Provision for deferred tax	<u>—</u>	<u>10,985</u>

(d) Factors that may affect future tax charges

The reduction in the UK corporation tax rate from 24% to 23% took effect from 1 April 2013. A further reduction from 23% to 21% was substantively enacted in July 2013 and will be effective from 1 April 2014. The rate of UK corporation tax will further reduce to 20% from 1 April 2015. Accordingly, these rates have been applied to the measurement of deferred tax assets and liabilities at 31 December 2013.

### 8. Profit attributable to members of the parent undertaking

The profit dealt with in the financial statements of the parent undertaking is £nil (2012 – £nil).

### 9. Intangible fixed assets

<i>Group</i>	<i>Domain name £</i>
Cost:	
At 1 January 2013 and 31 December 2013	<u>8,240</u>
Net book value:	
At 1 January 2013 and 31 December 2013	<u>8,240</u>

The parent undertaking held no intangible fixed assets in the year (2012 – £nil).

## Notes to the financial statements

at 31 December 2013

### 10. Tangible fixed assets

<i>Group</i>	<i>Plant and machinery £</i>	<i>Office and computer equipment £</i>	<i>Total £</i>
Cost or valuation:			
At 1 January 2013	10,156	312,314	322,470
Additions	–	345,226	345,226
At 31 December 2013	10,156	657,540	667,696
Depreciation:			
At 1 January 2013	10,156	122,759	132,915
Provided during the year	–	109,555	109,555
At 31 December 2013	10,156	232,314	242,470
Net book value:			
At 31 December 2013	–	425,226	425,226
At 1 January 2013	–	189,555	189,555

The parent undertaking held no tangible fixed assets in the year (2012 – £nil).

### 11. Investments

<i>Group</i>	<i>Associated undertakings £</i>	<i>Other Investments £</i>	<i>Total £</i>
Cost			
At 1 January 2013	200,000	–	200,000
Additions	–	1,000,000	1,000,000
At 31 December 2013	200,000	1,000,000	1,200,000
Provision			
At 1 January 2013	42,307	–	42,307
Additions	–	–	–
At 31 December 2013	42,307	–	42,307
Net Book Value			
At 1 January 2013	157,693	–	157,693
At 31 December 2013	157,693	1,000,000	1,157,693

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

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>	<i>Country of in corporation</i>
Adventiq Limited	Ordinary shares	20.72%	High technology	England and Wales

## Notes to the financial statements

at 31 December 2013

### 11. Investments (continued)

The group does not have significant influence over operating and financial policies of Adventiq Limited.

The group's other investment represents a £1m nominal investment in 3% interest limited recourse bonds, due 2018, in Allia Limited.

<i>Parent Company</i>	<i>Subsidiary undertakings</i>
	£
<b>Cost:</b>	
At 1 January 2013 and 31 December 2013	<u>5,334</u>

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

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
VNC Limited	Ordinary shares	100%	Dormant
RealVNC Limited	Ordinary shares	100%	Software publishing and research
Deskhop Limited	Ordinary shares	100%	Dormant

### 12. Debtors

	<i>2013</i>	<i>Group 2012</i>	<i>2013</i>	<i>Company 2012</i>
	£	£	£	£
Trade debtors	1,342,780	1,382,405	–	–
Amounts owed by subsidiary undertakings	–	–	4,185	4,185
Other debtors	52,706	13,871	–	–
Prepayments and accrued income	247,506	153,009	–	–
Corporation tax recoverable	279,740	246,150	–	–
	<u>1,922,732</u>	<u>1,795,435</u>	<u>4,185</u>	<u>4,185</u>
<i>Amounts falling due after more than one year:</i>				
Associated company loan	100,000	100,000	–	–
	<u>2,022,732</u>	<u>1,895,435</u>	<u>4,185</u>	<u>4,185</u>

## Notes to the financial statements

at 31 December 2013

### 13. Creditors: amounts falling due within one year

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Trade creditors	94,726	66,218
Other taxes and social security costs	100,827	106,808
Other creditors	729	1,510
Accruals and deferred income	653,723	803,213
Pension creditor	–	2,811
	<u>850,005</u>	<u>980,560</u>

The parent undertaking had no creditors in the period (2012 – £nil).

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

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Accruals and deferred income	<u>–</u>	<u>20,962</u>

### 15. Issued share capital

<i>Group and company</i>		<i>2013</i>		<i>2012</i>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £0.01 each	546,404	<u>5,464</u>	546,404	<u>5,464</u>

### 16. Reconciliation of shareholders' funds and movements on reserves

<i>Group</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 January 2012	5,458	3,565	10,499,919	10,508,942
Share purchase	6	490	–	496
Profit for the financial year	–	–	1,638,793	1,638,793
At 1 January 2013	<u>5,464</u>	<u>4,055</u>	<u>12,138,712</u>	<u>12,148,231</u>
Share purchase	–	–	–	–
Profit for the financial year	–	–	1,492,171	1,492,171
At 31 December 2013	<u>5,464</u>	<u>4,055</u>	<u>13,630,883</u>	<u>13,640,402</u>

#### *Parent undertaking*

There has been no change in the parent undertaking share capital and share premium.

## Notes to the financial statements

at 31 December 2013

### 17. Events since the balance sheet date

There have been no material events since the balance sheet.

### 18. 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 £129,495 (2012 – £159,379). Contributions totalling £nil (2012 – £2,811) were payable to fund at the end of the year and are shown within other creditors.

	2013 No.	2012 No.
Members of defined contribution pension schemes	50	48

### 19. 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 2013 is £nil (2012 – £1,585). As it is unlikely that the options will vest in the near future no charge has been made in the financial statements.

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

	2013		2012	
	Weighted average exercise price £	Number of options	Weighted average exercise price £	Number of options
Outstanding at the beginning of the year	0.71	29,917	0.71	33,052
Granted	–	–	–	–
Forfeited	0.79	(627)	0.79	(2,508)
Exercised	–	–	0.79	(627)
Lapsed	–	–	–	–
Outstanding at the end of the year	0.70	29,290	0.71	29,917
Exercisable at the end of the year		29,290		28,310

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Date granted	Number of options		Period of options	Price per share
	2013	2012		
24 November 2006	4,200	4,200	10 years	£0.197
28 November 2009	25,090	25,717	10 years	£0.79
	29,290	29,917		

## Notes to the financial statements

at 31 December 2013

### 19. Share-based payments (continued)

The options are held by 20 (2012 – 20) directors and employees of the company. An exit event, defined as a share sale, an asset sale or a listing will trigger the options.

The fair value of options granted is estimated as at the date of grant using a Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the options granted on 24 November 2006 and 28 November 2009.

<i>Date granted</i>	<i>24 November 2006</i>	<i>28 November 2009</i>
Dividend yield (%)	0	0
Expected share price volatility (%)	40	40
Risk-free interest rate	5.5	1.0
Expected life of options (years)	10	10
Weighted average share price (£)	0.197	0.79

The volatility measured at the standard deviation of continuously compounded share returns is based on similar valuations for entities of a similar size and nature.

### 20. Other financial commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as set out below:

<i>Land and buildings</i>	<i>2013 £</i>	<i>2012 £</i>
Operating leases which expire:		
Within one year	<u>72,779</u>	<u>72,094</u>

### 21. Related party transactions

There has been no trading activity between VNC Group and its subsidiary Real VNC Limited in the period.

Within debtors is a loan due from Adventiq Limited, a company in which RealVNC Limited holds 20.72% of the issued share capital. The total amount of interest charged to the financial statements in the year under review amounted to £nil (2012 – £nil).

Real VNC Limited also invoiced Adventiq Ltd on normal commercial terms of £12,690 (2012 – £34,483) in respect of royalties and £45,555 (2012 – £44,549) in respect of subcontracted work. The amount due to RealVNC Limited at the end of the year is £7,788 (2012 – £25,957) and is shown as part of trade debtors.