

Company Registration No. NI 54094

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**APT LICENSING LIMITED**  
(formerly AUDIO PROCESSING  
TECHNOLOGY HOLDINGS LIMITED)

**REPORT AND FINANCIAL STATEMENTS**

**31 December 2008**

**APT LICENSING LIMITED**  
**(formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

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**APT LICENSING LIMITED**  
**(formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mr J Lilywhite  
Mr N McKenna  
Mr G Bourke  
Mr J McClintock  
Mr H Wilson  
Mr Q Howard  
Mr M Weir (resigned 16 March 2009)

**SECRETARY**

Mr N McKenna (appointed 16 March 2009)  
Mr M Weir (resigned 16 March 2009)

**REGISTERED OFFICE**

Whiterock Business Park  
729 Springfield Road  
Belfast  
BT12 7FP

**BANKERS**

Ulster Bank Limited  
11-16 Donegall Square East  
Belfast  
BT1 5UB

Bank of Ireland Business Banking  
Donegall House  
7 Donegall Square North  
BT1 5LU

Silicon Valley Bank  
3003 Tasman Drive  
Santa Clara  
California 95054

**SOLICITORS**

Tughan & Co  
Marlborough House  
30 Victoria Street  
Belfast  
BT1 3GS

**INDEPENDENT AUDITORS**

Deloitte LLP  
Belfast

**APT LICENSING LIMITED**  
**(formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year to 31 December 2008

**PRINCIPAL ACTIVITY**

The principal activity of the Company during the year was that of a holding company. From 1 January 2009 the principal activity became that of research and development into and sale and licensing of audio coding

**BUSINESS REVIEW AND FUTURE PROSPECTS**

On 1 January 2009, the company acquired the trade and assets of the software licensing business from its wholly owned subsidiary Audio Processing Technology Limited, at book value. Revenues associated with this business amounted to £628,068 for the year ended 31 December 2008.

On 16 March 2009, the company sold its entire shareholding in its wholly owned subsidiary Audio Processing Technology Limited for consideration of £5,677,000. After repayment of shareholder loans and interest of £2,985,000, the company retained cash in excess of £1,000,000 and the balance sheet returned to a net asset position.

**GOING CONCERN**

The company's current and intended future activities are set out above, together with significant events subsequent to the balance sheet date.

As a result of those events, the company has considerable financial resources. The directors have also prepared trading and cash flow forecasts which give comfort to the board that there are adequate resources for the company to continue to trade for a period in excess of one year from the date of approval of the financial statements. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**RESULTS AND DIVIDENDS**

The loss for the year amounted to £303,826 (2007- loss £150,782).

**DIRECTORS**

The directors of the company who served during the year ended 31 December 2008 are listed on page 1.

**APT LICENSING LIMITED**  
**(formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**DIRECTORS' REPORT**

**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). The financial statements are required by law to 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
- 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 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 (Northern Ireland) Order 1986. 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.

**DISCLOSURE OF INFORMATION TO AUDITORS**

The directors have made enquiries in accordance with Article 2427A and report that so far as they are aware there is no relevant audit information of which the company's auditors are unaware and they have taken all reasonable steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**SMALL COMPANY EXEMPTION**

This report has been prepared in accordance with the special provisions for small companies under Part VIII of the Companies (Northern Ireland) Order 1986.

By order of the Board on 24 September 2009



Mr N McKenna  
Secretary

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APT LICENSING LIMITED**

We have audited the financial statements of APT Licensing Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. 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 auditors' 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986, and
- the information given in the Directors' Report is consistent with the financial statements.



**Deloitte LLP**

Chartered Accountants and Registered Auditors

Belfast, United Kingdom

Date 30/9/09

**APT LICENSING LIMITED**  
**(formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2008**

	Note	2008 £	2007 £
<b>TURNOVER</b>	1	61,867	55,000
Administrative expenses		(71,206)	(51,208)
<b>OPERATING (LOSS)/PROFIT</b>	2	(9,339)	3,792
Interest payable and similar charges		(294,487)	(154,574)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(303,826)	(150,782)
Taxation charge	3	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(303,826)</u>	<u>(150,782)</u>

There are no recognised gains or losses other than the loss for the financial year. Accordingly, no statement of total recognised gains and losses is given.

There is no material difference between the results as reported in the Profit and Loss Account and the results on an unmodified historical cost basis. Accordingly, a note of the historical cost profits and losses for the period is not given.

All activities in the current and prior year are derived from continuing operations.

**APT LICENSING LIMITED**  
**(formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**BALANCE SHEET**

**Year ended 31 December 2008**

	Note	2008 £	2007 £
<b>FIXED ASSETS</b>			
Investments	4	<u>2 860 871</u>	<u>1,649 967</u>
<b>CURRENT ASSETS</b>			
Debtors	5	-	1 174,870
Cash at bank and in hand		<u>371 951</u>	<u>1,143</u>
		371,951	1 176,013
<b>CREDITORS amounts falling due within one year</b>	6	<u>(441,302)</u>	<u>(27 417)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(69 351)</u>	<u>1,148 596</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,791 520</u>	<u>2,798 563</u>
<b>CREDITORS amounts falling due after more than one year</b>	7	<u>(3,376 664)</u>	<u>(3 082 124)</u>
		<u>(585 144)</u>	<u>(283,561)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	130 032	130 032
Share premium account	9	26,194	26 194
Equity settled share based payments		2,243	-
Profit and loss account		<u>(743,613)</u>	<u>(439 787)</u>
<b>SHAREHOLDERS FUNDS - DEFICIT</b>	10	<u>(585,144)</u>	<u>(283 561)</u>

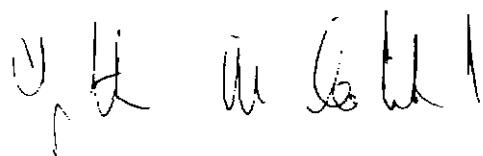
These financial statements have been prepared in accordance with the special provisions for the small companies under Article 254 of the Companies (Northern Ireland) Order 1986

These financial statements were approved by the Board of Directors on 24 September 2009

Signed on behalf of the Board of Directors

**Mr J McClintock**

**Director**



# **APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

## **1 ACCOUNTING POLICIES**

### **Basis of Accounting**

The financial statements are prepared under the historical cost convention. The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies which have been adopted, which have been applied consistently throughout the year and the prior year, are stated below.

### **Going concern**

The company's current and intended future activities are set out in the Directors' Report above together with significant events subsequent to the balance sheet date.

As a result of those events, the company has considerable financial resources. The directors have also prepared trading and cash flow forecasts which give comfort to the board that there are adequate resources for the company to continue to trade for a period in excess of one year from the date of approval of the financial statements. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Article 256 of the Companies (Northern Ireland) Order 1986 not to prepare group accounts.

### **Turnover**

Turnover is the amount derived from the provision of services falling within the company's ordinary activities after deduction of value added tax.

### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

### **Share Based Payments**

The company issues equity settled share based payments to certain employees of its subsidiary company, Audio Processing Technology Limited, under an Enterprise Management Incentive Scheme. In accordance with Financial Reporting Standard 20, Share Based Payments, equity settled share-based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date the options are granted. The fair value determined at the date of grant is treated as a capital contribution to the subsidiary company on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effects of non market based vesting conditions. Fair value is measured by use of the Black-Scholes pricing model which takes into account the option's exercise price, its term, the risk free interest rate, and any expected volatility in a market price for the company's shares.

**APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**2 OPERATING (LOSS)/PROFIT**

	2008 £	2007 £
Directors' fees	61,817	50,092
Auditors' fees	1,000	900
	<u>          </u>	<u>          </u>

**3 TAXATION**

**(a) Analysis of charge in the year:**

	2008 £	2007 £
UK Corporation tax		
- Current at 28% (2007: 30%)	-	-
	<u>          </u>	<u>          </u>

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28%

	2008 £	2007 £
Loss on ordinary activities before tax	(303,826)	(150,782)
	<u>          </u>	<u>          </u>
Loss on ordinary activities by rate of tax	(85,071)	(45,235)
Expenses not deductible for tax purposes	2,349	-
Deferred tax asset not recognised in respect of tax losses generated	43,145	23,825
Other short term timing differences	39,577	21,410
	<u>          </u>	<u>          </u>
Current tax charge for year	-	-
	<u>          </u>	<u>          </u>

**4 INVESTMENTS**

	<b>Investment in subsidiary £</b>
Cost at start of year	1,649,967
Intercompany loan waived during the year	1,208,661
Equity settled share based payment	2,243
	<u>          </u>
Cost at end of year	2,860,871
	<u>          </u>

At the balance sheet date, the company owned 100% of the issued share capital being A ordinary shares of £1 each of the following company, which is incorporated in Northern Ireland

**APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**4. INVESTMENTS (continued)**

	2008 £
<b>Aggregate capital and reserves</b>	
Audio Processing Technology Limited	1 401,917
<b>Loss for the year</b>	
Audio Processing Technology Limited	(337,168)

Under the provision of Article 256 of the Companies (Northern Ireland) Order 1986 the company is exempt from preparing consolidated accounts and has not done so therefore the accounts show information about the company as an individual company

**5 DEBTORS**

	2008 £	2007 £
Amounts owed by group undertakings	-	1 174,870

**6 CREDITORS amounts falling due within one year**

	2008 £	2007 £
Bank loans	424 352	-
Accruals and deferred income	16 950	27 417
	441 302	27 417

Bank loans are repayable on demand and are secured upon the trademarks registered by the company. Interest is charged at three month LIBOR plus 2%

**7. CREDITORS. amounts falling due after more than one year**

	2008 £	2007 £
Other creditors including Venture Capital Loan Notes	3 376,664	3 082,124

The total amount outstanding includes venture capital loan notes of £2 776 954 (2007 £2,776 954) and interest of £615,502 (2007 £354,550). Expenses relating to the raising of finance totalling £15 792 (2007 £49 380) have been offset against the balance resulting in a net amount outstanding of £3,376 664 (2007 £3 082,124)

**APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**7. CREDITORS amounts falling due after more than one year (continued)**

Interest is charged annually on £1,568,462 of the loan notes at a rate of 8% and on the remaining £1,208,492 at a rate of 8.5%. All loan notes, as shown in the table below, shall be redeemed at par together with all accrued but unpaid interest to the relevant dates of redemption as to 50% of the outstanding loan notes on the first redemption dates and the balance on the second redemption dates

<b>Total loan note amount £</b>	<b>First redemption date</b>	<b>Second redemption date</b>
1,568,462	10 May 2009	10 May 2010
1,208,492	12 December 2011	12 December 2012

As described in Note 14, £2,985,000 of shareholder loan notes and accrued interest was repaid on 16 March 2009

**8 CALLED UP EQUITY SHARE CAPITAL**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Class B Ordinary Shares of £0.005 each	1,000,000	1,000,000	17,651	17,651
Ordinary Shares of £0.005 each	1,000,000	1,000,000	112,381	112,381
	<u>2,000,000</u>	<u>2,000,000</u>	<u>130,032</u>	<u>130,032</u>

**9 SHARE BASED PAYMENTS**

Equity-settled share option scheme

The company has a share option scheme for all employees of the group. Options are exercisable at a price equal to the HM Revenue & Customs valuation of the company's shares on the date of grant. The vesting period is 4 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the group unless specifically agreed by the Board of Directors under the terms of the Good Leaver provisions as set out in the scheme.

# **APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

## **9. SHARE BASED PAYMENTS (continued)**

Details of the share options outstanding during the year are as follows

	<b>2008 Number of share options</b>	<b>2008 Weighted average exercise price £</b>	<b>2007 Number of share options</b>	<b>2007 Weighted average exercise price £</b>
Outstanding at start of period	1 726,492	0 005	1,303 629	0 005
Granted during period	-	-	651 435	0 005
Forfeited during period	(22 858)	0 005	-	-
Exercised during period	-	-	(228,572)	0 005
Expired during period	-	-	-	-
Outstanding at the end of period	1 703,634	0 005	1,726 492	0 005
Exercisable at the end of period	1 061,409	0 005	700 237	0 005

The weighted average share price at the date of exercise for share options forfeited during the period was £0 005. The options outstanding at 31 December 2008 had a weighted average exercise price of £0 005 and a weighted average remaining contractual life of 5 years. In 2008 no options were granted.

The inputs into the Black-Scholes option pricing model are as follows:

	<b>2008</b>	<b>2007</b>
Weighted average share price	0 002	0 002
Weighted average exercise price	0 005	0 005
Expected volatility	40%	40%
Expected life	5yrs	5yrs
Risk-free rate	4.1% - 5.4%	4.1% - 5.4%
Expected dividends	-	-

Expected volatility was determined by management considering the historical volatility of the industry in which the company operates over the previous 3 years. The expected life used in the model has been adjusted based on management's best estimate for the effects of exercise restrictions and behavioural considerations.

During 2008, the company did not re-price any of its outstanding options. The company recognised a capital contribution to its subsidiary of £2,243 in relation to equity-settled share-based payment transactions in 2008 (2007 -£nil). The total value of all share options vested up to the end of 2008 as calculated by the Black-Scholes option pricing model was £2 243.

**APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**10. SHARE PREMIUM ACCOUNT**

	2008 £	2007 £
Premium on shares issued	26,194	26,194

**11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2008 £	2007 £
Loss for the period	(303,826)	(150,782)
New equity share capital subscribed	-	17,651
Equity settled share based payments	2,243	-
Net reduction to shareholders' funds	(301,583)	(133,131)
Opening shareholders' deficit	(283,561)	(150,430)
Closing shareholders' deficit	(585,144)	(283,561)

**12. RELATED PARTY TRANSACTIONS**

The company was under the control of the directors and shareholders throughout the period

During the year the company advanced amounts of £53,616 (2007: £121,822) to its wholly owned subsidiary, Audio Processing Technology Limited. The subsidiary paid expenses totalling £82,337 (£2007: £44,433) on behalf of the company and incurred a management charge of £61,867 (2007: £55,000). The total amount owed to the company by its subsidiary at 31 December 2008 amounted to £Nil (£2007: owed by subsidiary £117,870).

**13. CONTINGENT LIABILITIES**

On 13 April 2006, the company executed a mortgage over its shares in Audio Processing Technology Limited, in favour of Ulster Bank Limited.

**14. SUBSEQUENT EVENTS**

On 1 January 2009, the trade and assets of the licensing division of the company's 100% subsidiary, Audio Processing Technology Limited, were acquired by the company at the book value of the assets at that date.

On 16 March 2009, the company sold its entire shareholding in its wholly owned subsidiary, Audio Processing Technology Limited, for consideration of £5,677,000. After repayment of shareholder loans and interest of £2,985,000, the company retained cash in excess of £1,000,000 and the balance sheet returned to a net asset position.

**APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report

**APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**DETAILED PROFIT AND LOSS ACCOUNT**  
**31 December 2008**

	2008 £	2007 £
<b>Turnover</b>	61,867	55,000
<b>Gross Profit</b>	61,867	55,000
<b>Overheads</b>		
Administrative expenses	71,206	51,208
	(9,339)	3,792
<b>Other operating income</b>		
Interest receivable	52	-
Operating (loss) profit	(9,287)	3,792
Interest due on VC loans	(294,539)	(154,574)
<b>Loss on ordinary activities</b>	(303,826)	(150,782)

**APT LICENSING LIMITED (formerly AUDIO PROCESSING TECHNOLOGY HOLDINGS LIMITED)**

**NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT**  
**31 December 2008**

	2008 £	2007 £
<b>Administrative expenses</b>		
<b>General expenses</b>		
Legal and professional fees	8,389	216
Other professional fees	61,817	50,092
Auditors remuneration	1,000	900
	<hr/> 71,206	<hr/> 51,208
<b>Financial costs</b>		
VC Finance costs	294,539	154,574
	<hr/> 294,539	<hr/> 154,574