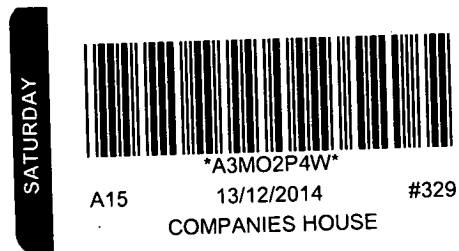


**APICAL LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2014**



# APICAL LIMITED

## DIRECTOR AND ADVISERS

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<b>Director</b>	Mr M A Tusch
<b>Secretary</b>	Mrs M S Tusch
<b>Company number</b>	03701846
<b>Registered office</b>	Suite 323 162/168 Regent Street London W1B 5TD
<b>Registered auditors</b>	Welbeck Associates 30 Percy Street London W1T 2DB

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# APICAL LIMITED

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# **APICAL LIMITED**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 MARCH 2014***

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The director presents the strategic report and financial statements for the year ended 31 March 2014.

### **Principal activities**

The principal activity of the company and the group continued to be that of research into image processing algorithms and the development and licensing of imaging software and hardware. On 20 December 2013 the company acquired the entire issued share capital of Apical Inc, a company registered in the USA, and the consolidated results of the group reflect this acquisition.

### **Review of the business**

The Company continued to trade profitably during the year with turnover rising by 54% to £12.8m in 2014 compared to the turnover of £8.3m in the previous year. Pre-tax profits for the year also rose in 2014 to £6.3m compared with the pre-tax profit of £4.1m in 2013 a 56% improvement.

The director is satisfied with the progress that the company is continuing to make in developing its product range to meet and in some cases exceed the demands of its customers. The company is continuing to invest in the resources necessary for the company to maintain its position as a market leader in the field of image enhancing software & hardware. The director is therefore confident that the company is in a position to both meet the needs of its existing customers and continue to develop relationships with new customers.

# APICAL LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2014**

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### Principal risks and uncertainties

The group regularly identify the principal risks and their potential impact on its operations. As a result procedures and responses have been established which the director considers are appropriate to mitigate the risks identified and strengthens the group's position in the market-place.

#### Principal risks and impact

- Reliance on a small team of highly skilled individuals for the instigation and development of new products as well as the enhancement of the existing product range of the business.
- Third parties seeking, without authority, to use the group's intellectual property.
- A rival emerges with a product which matches the specification of the Apical product, without infringing the company's intellectual property.
- Having a management structure that is able to capitalise on the full potential of the range of products that the group now offer.
- Difficulty in recruiting sufficiently talented staff to participate in the group's product development programme.

#### The group's response

The group is continuing to build on its resource of expertise by recruiting talented staff to help build the products of the future.

In discussion with the parent company's patent advisers, the business has been granted patents covering its unique processes by the relevant authorities.

Working with the group's internal and external counsel to quickly defend any threat to the group's position.

Senior members of the management team consider that it would be a challenge to replicate any product developed by the business.

The group have good relationships with its customers within the industry and would be likely to be alerted at a fairly early stage of the emergence of a potential rival.

The group continues expand its product range to broaden its appeal and to limit the impact that any rival may otherwise have on the company's profitability.

The group have offices in key global locations from where they can expand their operations and are confident that the group well be able to recruit talented staff when required to meet those needs.

The group have a policy of retaining sufficient financial resources to fund the expansion of its activities and have no plans to seek outside funding.

The group place as a high priority, the recruitment of talented staff. In addition to using specialist recruitment agencies, the group have a network of contacts to draw on and as a result have not been disadvantaged through a lack of talented staff.

# **APICAL LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2014**

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### **Developments and performance**

The company has had representation in Japan for a number of years and during 2013 established representation in China. These representative bases provide a platform for technical support to its increasing customer base in China. In January 2014 the company also established a subsidiary in the USA to provide technical support activities for the company's growing number of US customers. The company expects to further fund the overseas operations when considers it is expedient to do so.

The company is at the forefront of the development programme in the field of the enhancement of visual displays and its product range reflects that position.

The company continues to invest significantly in R&D in order to remain at the forefront of innovation in camera and display technology. During 2013 Apical released upgrades to its successful Assertive Display and Assertive Camera subsystems, which are integrated into many end products from smartphones to security cameras via licensing arrangements with semiconductor manufacturers and OEMs.

The company further increased and strengthened its R&D into computer vision technology focussing on the development of advanced algorithms suitable for real-time implementation inside devices, with the first generation products based on this technology expected to be launched within 2014.

The director considers that its results for the year are satisfactory as turnover increased by 54% to £12.8m compared with the previous year and that 83.6% of the company's sales arose from royalties compared to 81.1% in 2013. This shows a consistently high proportion of revenues are derived from royalties. The company values its relationships with its customers and the emphasis on royalty revenues is one of a number of factors in building such relationships.

Profit for the year as disclosed in the consolidated profit and loss account is as expected by the company and group.

The balance sheet shows a strong net asset position at 31 March 2014 with a liquidity ratio of 7.2 (2013: 4.0). This strength reflects the company's ability to invest resources in the future development of the business.

The director is satisfied with the performance for the year under review and is confident that the company's results will continue to improve in the current year.

# APICAL LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2014**

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### Key performance indicators

The Director and senior management team monitor the activities and performance of the group on a regular basis. Financial indicators are based on budget versus actual. The indicators set out below have been used to assess performance over the year to 31 March 2014. The main KPIs for the company are listed as follows:

	2014	2013	Change +/-
Turnover	£12,795,092	£8,291,656	+54.3%
Royalties as a %'age of turnover	83.6%	81.1%	+2.5%
Net profit	£5,692,891	£3,260,313	+74.6%
Liquidity ratio	7.2	4.0	+3.2

The group performed satisfactorily when compared to the performance of the company in the previous year.

By order of the board



.....  
Mr M A Tusch

Director

10 December 2014

# APICAL LIMITED

## DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31 MARCH 2014

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The director presents his report and financial statements for the year ended 31 March 2014.

#### Results and dividends

The consolidated profit and loss account for the year is set out on page 8.

#### Director

The following director has held office since 1 April 2013:

Mr M A Tusch

#### Auditors

In accordance with the company's articles, a resolution proposing that Welbeck Associates be reappointed as auditors of the company will be put at a General Meeting.

#### Statement of director's responsibilities

The director is responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The director is 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 the group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Statement of disclosure to auditors

So far as the director is aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the group's auditors are aware of that information.

By order of the board



Mr M A Tusch

Director

10 December 2014



# **APICAL LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF APICAL LIMITED**

---

We have audited the group and parent company financial statements (the "financial statements") of Apical Limited for the year ended 31 March 2014 set out on pages 8 to 28. 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 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 director and auditors**

As explained more fully in the Director's Responsibilities Statement set out on pages 5, the director is 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 director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2014 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# APICAL LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

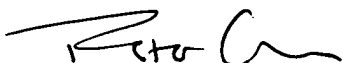
### TO THE MEMBERS OF APICAL LIMITED

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#### 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.



**Peter Clark (Senior Statutory Auditor)**  
for and on behalf of Welbeck Associates

10 December 2014

**Chartered Accountants**  
**Statutory Auditor**

30 Percy Street  
London W1T 2DB

# APICAL LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £	2013 £
Turnover	2	12,795,092	8,291,656
Cost of sales		(895,526)	(1,154,053)
<b>Gross profit</b>		<b>11,899,566</b>	<b>7,137,603</b>
Administrative expenses		(5,621,124)	(3,075,631)
<b>Operating profit</b>	3	<b>6,278,442</b>	<b>4,061,972</b>
Continuing operations		6,341,971	4,061,972
Acquisitions		(63,529)	-
		<b>6,278,442</b>	<b>4,061,972</b>
Other interest receivable and similar income		580	385
<b>Profit on ordinary activities before taxation</b>	3	<b>6,279,022</b>	<b>4,062,357</b>
Tax on profit on ordinary activities	4	(586,131)	(802,044)
<b>Profit on ordinary activities after taxation</b>		<b>5,692,891</b>	<b>3,260,313</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# APICAL LIMITED

## BALANCE SHEETS

AS AT 31 MARCH 2014

	Notes	Group 2014 £	2013 £	Company 2014 £	2013 £
<b>Fixed assets</b>					
Intangible assets	6	17,783	-	-	-
Tangible assets	7	293,463	177,120	293,463	177,120
Investments	8	1	1	20,001	1
		<u>311,247</u>	<u>177,121</u>	<u>313,464</u>	<u>177,121</u>
<b>Current assets</b>					
Stocks	9	-	27,848	-	27,848
Debtors	10	4,227,119	3,158,968	4,293,541	3,158,968
Cash at bank and in hand		8,007,495	3,416,895	7,932,204	3,416,895
		<u>12,234,614</u>	<u>6,603,711</u>	<u>12,225,745</u>	<u>6,603,711</u>
<b>Creditors: amounts falling due within one year</b>	11	(1,681,095)	(1,658,472)	(1,675,097)	(1,658,472)
<b>Net current assets</b>		<u>10,553,519</u>	<u>4,945,239</u>	<u>10,550,648</u>	<u>4,945,239</u>
<b>Total assets less current liabilities</b>		<u>10,864,766</u>	<u>5,122,360</u>	<u>10,864,112</u>	<u>5,122,360</u>
<b>Provisions for liabilities</b>	12	(61,616)	(35,026)	(61,616)	(35,026)
		<u>10,803,150</u>	<u>5,087,334</u>	<u>10,802,496</u>	<u>5,087,334</u>
<b>Capital and reserves</b>					
Called up share capital	15	20,760	20,510	20,760	20,510
Share premium account	16	100	-	100	-
Other reserves	16	10,000	10,000	10,000	10,000
Profit and loss account	16	10,772,290	5,056,824	10,771,636	5,056,824
<b>Shareholders' funds</b>	17	<u>10,803,150</u>	<u>5,087,334</u>	<u>10,802,496</u>	<u>5,087,334</u>

Approved by the Board and authorised for issue on 10 December 2014



Mr M A Tusch  
Director

Company Registration No. 03701846

# APICAL LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

	Note	£	2014 £	£	2013 £
<b>Net cash inflow from operating activities</b>	<b>23</b>		5,508,176		2,854,045
<b>Returns on investments and servicing of finance</b>					
Interest received		580		385	
<b>Net cash inflow for returns on investments and servicing of finance</b>			580		385
<b>Taxation</b>			(664,762)		(642,965)
<b>Capital expenditure</b>					
Payments to acquire tangible assets		(234,344)		(126,289)	
<b>Net cash outflow for capital expenditure</b>			(234,344)		(126,289)
<b>Acquisitions and disposals</b>					
Purchase of subsidiary undertakings (net of cash acquired)		(19,400)		-	
<b>Net cash outflow for acquisitions and disposals</b>			(19,400)		-
<b>Net cash inflow before management of liquid resources and financing</b>			4,590,250		2,085,176
<b>Financing</b>					
Issue of ordinary share capital		350		510	
<b>Net cash inflow from financing</b>			350		510
<b>Increase in cash in the year</b>	<b>24, 25</b>		4,590,600		2,085,686

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2014

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#### 1 Accounting policies

##### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

##### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

##### 1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 2014. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

##### 1.4 Turnover

Turnover represents the total value, excluding value added tax, of sales generated from the licencing of the group's intellectual property and related services during the year.

Turnover is recognised in an accounting period to the extent that the group have a legal right to the consideration.

Revenue representing the initial fees from the licencing of intellectual property is recognised on a straight line basis over the term of the respective arrangement.

Royalty revenues are recognised as they are earned to the extent that the group has sufficient evidence of sales of products containing the group's technology by licensees. Notification is generally received by the group in the quarter following the shipment of the customer's products.

##### 1.5 Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration paid or payable over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired) arising on consolidation in respect of acquisitions is capitalised. Goodwill is written off in equal instalments over its estimated useful life of 3 years from the date of purchase.

##### 1.6 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the director is satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

##### 1.7 Tangible fixed assets and depreciation

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

Short Leasehold	Straight line over the term of the lease
Plant and machinery	33.3% straight line
Fixtures, fittings & equipment	33.3% straight line

##### 1.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

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#### 1 Accounting policies

##### 1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

##### 1.10 Stock

Work in progress is valued at the lower of cost and net realisable value.

##### 1.11 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

##### 1.12 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

##### 1.13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

##### 1.14 Share-based payments

All share based payments are accounted for in accordance with FRS 20 – “Share-based payments”. The Company issues equity-settled share based payments in the form of share options to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed over the period during which the employee becomes unconditionally entitled to the share incentives. The fair value of the share-based payments granted is measured using the Black-Scholes valuation model.

#### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

##### Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2014 £	2013 £
<b>Geographical segment</b>		
USA	7,346,815	1,947,772
Europe	252,610	63,057
East Asia	4,958,952	6,280,827
Other	236,715	-
	<u>12,795,092</u>	<u>8,291,656</u>

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

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<b>3</b>	<b>Operating profit</b>	<b>2014</b>	<b>2013</b>
		<b>£</b>	<b>£</b>
	Operating profit is stated after charging:		
	Depreciation of tangible assets	118,001	65,307
	Loss on foreign exchange transactions	428,937	-
	Research and development	93,991	32,527
	Operating lease rentals	92,103	87,709
	and after crediting:		
	Profit on foreign exchange transactions	-	(56,869)

### Auditors' remuneration

Fees payable to the group's auditor for the audit of the group's annual accounts (company £8,000; 2013: £6,000)	8,000	6,000
Preparation of financial statements	3,200	3,000
Corporate tax compliance	1,400	1,225
	<u>12,600</u>	<u>10,225</u>



# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

4	Taxation	2014 £	2013 £
	<b>Domestic current year tax</b>		
	U.K. corporation tax	101,075	206,296
	<b>Foreign corporation tax</b>		
	Other foreign tax	458,466	585,575
	<b>Total current tax</b>	<u>559,541</u>	<u>791,871</u>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	26,590	10,173
		<u>586,131</u>	<u>802,044</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>6,279,022</u>	<u>4,062,357</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23% (2013 - 24%)	<u>1,444,175</u>	<u>974,966</u>
	Effects of:		
	Non-deductible expenses	5,992	899
	Depreciation add back	27,140	15,674
	Capital allowances	(55,050)	(21,143)
	Technology allowances	(862,716)	(178,525)
		<u>(884,634)</u>	<u>(183,095)</u>
	<b>Current tax charge for the year</b>	<u>559,541</u>	<u>791,871</u>

## 5 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2014 £	2013 £
Holding company's profit for the financial year	<u>5,690,620</u>	<u>3,260,313</u>

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

### 6 Intangible fixed assets Group

Goodwill  
£

#### Cost

At 1 April 2013

-

Additions

19,400

At 31 March 2014

19,400

#### Amortisation

At 1 April 2013

-

Charge for the year

1,617

At 31 March 2014

1,617

#### Net book value

At 31 March 2014

17,783

At 31 March 2013

-

### 7 Tangible fixed assets

#### Group & Parent company

	Short Leasehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£

#### Cost

At 1 April 2013

43,475      76,410      190,751      310,636

Additions

2,376      168,719      62,638      233,733

At 31 March 2014

45,851      245,129      253,389      544,369

#### Depreciation

At 1 April 2013

9,147      26,386      97,372      132,905

Charge for the year

17,124      50,306      50,571      118,001

At 31 March 2014

26,271      76,692      147,943      250,906

#### Net book value

At 31 March 2014

19,580      168,437      105,446      293,463

At 31 March 2013

34,328      51,118      91,674      177,120

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

### 8 Fixed asset investments Group

	Shares in group undertakings £
<b>Cost</b>	
At 1 April 2013 & at 31 March 2014	1
<b>Net book value</b>	
At 31 March 2014	1
At 31 March 2013	1

In the opinion of the director, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

### Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 April 2013	1
Additions	20,000
At 31 March 2014	20,001
<b>Net book value</b>	
At 31 March 2014	20,001
At 31 March 2013	1

In the opinion of the director, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

#### 8 Fixed asset investments - continued

##### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Apical Imaging Limited	UK	Ordinary	100.00
Apical Inc	USA	Ordinary	100.00

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Apical Imaging Limited	Dormant
Apical Inc	Engineering and sales support

#### 9 Stocks

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Finished goods and goods for resale	-	27,848	-	27,848

#### 10 Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	976,496	937,927	976,496	937,927
Amounts owed by group undertakings	-	-	67,021	-
Other debtors	104,168	48,390	103,569	48,390
Prepayments and accrued income	3,146,455	2,172,651	3,146,455	2,172,651
	<u>4,227,119</u>	<u>3,158,968</u>	<u>4,293,541</u>	<u>3,158,968</u>

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

#### 11 Creditors : amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	84,658	158,374	84,658	158,374
Corporation tax	101,075	206,296	101,075	206,296
Taxes and social security costs	166,425	151,673	166,425	151,673
Other creditors	65,739	106,620	65,739	106,620
Accruals and deferred income	1,263,198	1,035,509	1,257,200	1,035,509
	<u>1,681,095</u>	<u>1,658,472</u>	<u>1,675,097</u>	<u>1,658,472</u>

#### 12 Provisions for liabilities Group & Parent company

	Deferred taxation £
Balance at 1 April 2013	35,026
Profit and loss account	26,590
	<u>61,616</u>
Balance at 31 March 2014	

#### The deferred tax liability is made up as follows:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Accelerated capital allowances	<u>61,616</u>	<u>35,026</u>	<u>61,616</u>	<u>35,026</u>

#### 13 Pension and other post-retirement benefit commitments

##### Defined contribution

The parent company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the parent company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £119,807 (2013-£114,927). One month's pension contributions totalling £45,438 were outstanding at the year end.

	2014 £	2013 £
Contributions payable by the group for the year	<u>119,807</u>	<u>114,927</u>

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

#### 14 Share-based payment transactions

During the year ended 31 March 2014, the group had four share-based payment arrangements, which are described below.

Type of arrangement	EMI 1	EMI 2	EMI 3	EMI 4	DSPP 1	DSPP 2 & 3
Date of grant	02 Nov 2011	02 Nov 2011	25 Oct 2012	5 Feb 2014	25/26 Oct 2012	5/7 Feb 2014
Number granted	118,750	22,500	4,375	23,625	51,000	25,000
Contractual life	10 years	10 years	10 years	10 years	10 years	10 years

The EMI 1 to 3 are Enterprise Management Initiative share option schemes and the DSPP is the Deferred Share Purchase Plan.

Both the EMI option schemes 1, 2, 3 & 4 and the DSPP 1 awards have vesting conditions under which 20% of the option/award vests on each anniversary of the date of the grant/award. Therefore after five years the options/awards will be full vested. Therefore, by 5 February 2019, the options will be fully vested. Some of the options have accelerated vesting in the event of the sale of the company but this is not expected within the vesting timeframe.

The DSPP 2 & 3 awards have vesting conditions. The 5 February 2014 award vests 10% on the date of the agreement; another 10% on 1 September 2014 and then a further 20% on each 1 September from 2015 to 2018. The 7 February 2014 award vests 20% on 1 April each year from 2014 to 2018.

The estimated fair value of each:

Share option	£0.17	£0.13	£0.47	£1.52		
Share award					£0.519	£1.27

The estimated fair value was calculated by applying a Black-Scholes option pricing model.

#### The model inputs were:

Share price at grant date:	£0.25	£0.25	£1.04	£3.40	£1.15	£3.40
Exercise price:	£0.125	£0.25	£1.04	£3.40	£1.15	£3.74
Expected volatility:	51.4%	51.4%	46.6%	43.97%	46.6%	43.97%
Expected dividends:	Nil	Nil	Nil	Nil	Nil	Nil
Estimated life from grant date:	7 years	7 years	6 years	6 years	6 years	5 years
Risk-free interest rate:	1.82%	1.82%	1.13%	2.04%	1.13%	1.75%

The company anticipates one leaver a year from December 2013 in relation to EMI options with a typical leaver holding an option over 625 B shares. At December 2013 no further leavers were expected in relation to the DSPP awards.

The expected volatility has been based on the share volatility of three listed companies the director considers is comparable for this purpose. The volatility has been derived from a three year share history and taking an average of the volatilities of the three companies.

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

#### 14 Share-based payment transactions (continued)

Further details of the share option plans are as follows:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2014	2014 £	2013	2013 £
At 1 April 2013	145,000	0.1715	141,250	0.1449
Granted	23,625	3.4000	4,375	1.0400
Forfeited	-	-	(625)	0.2500
Outstanding at 31 March 2014	168,625	0.6238	145,000	0.1715
Exercisable at 31 March 2014	57,125	0.1582	28,125	0.1449

The options outstanding at 31 March 2014 have an exercise price of £0.125 to £3.40, and a weighted average remaining contractual life of 6.94 years.

Further details of the share award plans are as follows:

	Number of awards	Weighted average exercise price	Number of awards	Weighted average exercise price
	2014	2014 £	2013	2013 £
At 1 April 2013	51,000	1.15	51,000	1.15
Granted	25,000	3.74	-	-
Forfeited	-	-	-	-
Outstanding at 31 March 2014	76,000	2.002	51,000	1.15
Exercisable at 31 March 2014	10,200	1.15	-	-

The options outstanding at 31 March 2014 have an exercise price of £1.15 to £3.74, and a weighted average remaining contractual life of 8.99 years.

	2014 £	2013 £
Expense arising from share-based payment awards	15,754	-
Expense arising from share and share option plans	8,438	-

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

15	Share capital	2014 £	2013 £
	<b>Allotted, called up and fully paid</b>		
	2,000,000 A Ordinary Shares of 1p each	20,000	20,000
	76,000 B Ordinary Shares of 1p each	760	510
		<u>20,760</u>	<u>20,510</u>

On 5 February 2014 the company issued 25,000 B Ordinary 1p shares at a price of £1.15 per share. The shares rank pari passu in all respects, save that they carry no voting rights. Dividends may be declared at the discretion of the director on fully paid B class shares. At the balance sheet date the B class Ordinary shares were part paid in the amount of £0.01 per share. The balance of £1.14 per share is due on the occasion of agreed specified events or by the tenth anniversary following the date of their subscription.

#### 16 Statement of movements on reserves Group

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 April 2013	-	10,000	5,056,824
Profit for the year	-	-	5,692,891
Share based payment transactions	-	-	24,192
Goodwill written off	-	-	(1,617)
Premium on shares issued during the year	100	-	-
Balance at 31 March 2014	<u>100</u>	<u>10,000</u>	<u>10,772,290</u>

#### Other reserves

##### Capital redemption reserve

Balance at 1 April 2013 & at 31 March 2014

10,000



# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

#### 16 Statement of movements on reserves Company

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 April 2013	-	10,000	5,056,824
Profit for the year	-	-	5,690,620
Share based payment transactions	-	-	24,192
Premium on shares issued during the year	100	-	-
Balance at 31 March 2014	100	10,000	10,771,636

#### Other reserves

#### Capital redemption reserve

Balance at 1 April 2013 & at 31 March 2014

10,000

#### 17 Reconciliation of movements in shareholders' funds Group

	2014 £	2013 £
Profit for the financial year	5,692,891	3,260,313
Proceeds from issue of shares	350	510
Share based payment transactions	24,192	-
Goodwill written-off	(1,617)	-
Net addition to shareholders' funds	5,715,816	3,260,823
Opening shareholders' funds	5,087,334	1,826,511
Closing shareholders' funds	10,803,150	5,087,334

#### Company

	2014 £	2013 £
Profit for the financial year	5,690,620	3,260,313
Proceeds from issue of shares	350	510
Share based payment transactions	24,192	-
Net addition to shareholders' funds	5,715,162	3,260,823
Opening shareholders' funds	5,087,334	1,826,511
Closing shareholders' funds	10,802,496	5,087,334

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

#### 18 Financial commitments

At 31 March 2014 the group and the parent company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2014 £	Other 2014 £
Expiry date:		
Within one year	17,500	-
Between two and five years	75,000	-
	<u>92,500</u>	<u>-</u>

#### 19 Director's remuneration

	2014 £	2013 £
Remuneration for qualifying services	80,000	65,075
Company pension contributions to defined contribution schemes	50,000	50,000
	<u>130,000</u>	<u>115,075</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2013 - 1).

#### 20 Transactions with the director

Advances and credits granted to the director during the year is outlined in the table below:

	% Rate	Opening Balance £	Amounts Advanced £	Interest Charged £	Amounts Repaid £	Closing Balance £
M A Tusch	Nil	-	6,599	-	-	6,599

The amount advanced to Mr Tusch at the balance sheet date substantially represents an advance against future expenses.

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

### 21 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2014 Number	2013 Number
Research & development	48	31
Sales & administration	6	6
	<u>54</u>	<u>37</u>

#### Employment costs

	2014 £	2013 £
Wages and salaries	3,094,660	1,825,987
Social security costs	293,259	200,718
Other pension costs	119,807	114,927
Share-based payments expensed	24,192	-
	<u>3,531,918</u>	<u>2,141,632</u>

### 22 Control

The group is controlled by the director Mr M.A. Tusch who owned 96.3% of the ordinary share capital of Apical Limited, parent company at the balance sheet date.

### 23 Reconciliation of operating profit to net cash inflow from operating activities

	2014 £	2013 £
Operating profit	6,278,442	4,061,972
Depreciation of tangible assets	118,001	65,307
Decrease/(increase) in stocks	27,848	(27,848)
Increase in debtors	(1,068,151)	(1,788,716)
Increase in creditors within one year	127,844	543,330
Share based payments	24,192	-
	<u>5,508,176</u>	<u>2,854,045</u>

# APICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2014

24	Analysis of net funds	1 April 2013	Cash flow	Other non- cash changes	31 March 2014
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	3,416,895	4,590,600	-	8,007,495
	Net funds	3,416,895	4,590,600	-	8,007,495

25	Reconciliation of net cash flow to movement in net debt	2014 £	2013 £
	Increase in cash in the year	4,590,600	2,085,686
	<b>Movement in net funds in the year</b>	4,590,600	2,085,686
	Opening net funds	3,416,895	1,331,209
	<b>Closing net funds</b>	8,007,495	3,416,895

#### 26 Related party relationships and transactions

##### Group & Parent company

The company has advanced funds to Colebrand International Limited totalling £151,924 at the balance sheet date (2013: £151,924) and Auburn International Limited £45,671 (2013: £45,671). These two companies are controlled by Mr. K. N. Tusch, a close family member. The loans are interest free and repayable on demand. A provision of £197,595 has been made against the possible non-recovery of these loans.

All loans are interest free and repayable on demand.

On 20 December 2013 the company purchased Apical Inc., a company registered in the USA, from the director Mr M. Tusch for £20,000. The company consider this amount as reasonable to secure a corporate name which matches the group identity.