
REALVNC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



REALVNC LIMITED

COMPANY INFORMATION

Directors	Dr A C Harter (resigned 15 August 2021) A Hopper (resigned 15 August 2021) A Greenwood-Byrne (resigned 15 August 2021) A Woodhouse (appointed 15 August 2021) C H Yelland (appointed 10 February 2022)
Company secretary	T McGuire (resigned 15 August 2021)
Registered number	04446945
Registered office	50-60 Station Road Cambridge CB1 2JH
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge CB4 0FY

REALVNC LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 9
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13 - 31

REALVNC LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Introduction

The directors present their Strategic report for the year ended 31 December 2021.

Business review

On 15th August 2021 Raptor Bidco Limited acquired the entire share capital of VNC Group Limited, the company's parent (the 'transaction'). The transaction was backed by Livingbridge 7 Global LP ('Livingbridge') and was enacted through a group structure headed by Raptor Topco Limited ('the group').

The company's principle activities during the year continued to be that of development, sale and support of our remote access subscription service for desktop, mobile and embedded platforms.

The company's ARR grew by 13.1% compared to the prior year reflecting positive trading conditions and the strength of the company's service offerings offset by a significant weakening in the strength of the USD during the year. Revenue grew by 26.6%, driven by the growth in ARR and further reflecting growth of the licence business as OEM customers increased their throughput following the pandemic.

Adjusted EBTIDA* margin grew from 26.4% to 34.5% primarily as a result of the increased turnover outstripping rises in the cost base.

Cash reserves decreased despite strong operational performance and associated cashflows owing to the payment of expenses incurred in preparing the company for the acquisition by the group and in relation to settlements with former employees on leaving and for services performed.

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

In £'million	2021	2020
Turnover	11.1	8.7
Adjusted EBITDA*	3.8	2.3
Cash reserves	4.9	7.2
Annual recurring revenues (ARR)	11.1	9.8

* Adjusted EBITDA is EBITDA adjusted for Exceptional items (2021: £8.0m 2020: £nil).

Throughout the period the company continued to deliver high-quality remote access and management software solutions through a multi-channel strategy, as well as further developing the OEM licensing business, strategic partnerships and collaborations. The backing of Livingbridge and Silicon Valley Bank ('SVB', a lender to the group) will enable the company to increase investment in research and development, marketing and sales to drive growth in the coming years.

REALVNC LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Principal risks and uncertainties

The Board continually monitors and assesses the company's exposure and appetite for risk and has overall responsibility for identifying and managing risks. The key risks identified as currently facing the company are discussed further below.

Talent retention and cost

The company's employees are its biggest asset, hence the availability and retention of suitably qualified staff is important. The company's cost base is predominantly people-related, hence an additional risk revolves around general salary inflation which has become a more dominant issue in the national economic climate. The Board and senior leadership team take a proactive approach to ensuring that all elements of the employee rewards, working environment and ethos of the company are conducive to employee retention within the framework of managing an appropriate cost base.

Foreign exchange risk

A large proportion of the company's revenues are denominated in USD and EUR, while the cost base is predominantly in GBP. This means that the company's future business performance can be significantly impacted by exchange volatility between these currencies. The Board continue to monitor foreign exchange movements closely to determine whether further hedging instruments are required. In addition, cash balances denominated in USD and EUR are continually monitored and regularly converted to GBP in line with the foreign exchange management policy of the company.

Market Risk

The company operates in an attractive but competitive market segment. There are risks that other business's product developments may decrease the competitiveness of the company's offerings, however the company invests significantly and increasingly in research and development to maintain and improve the attractiveness of the company's services and products. The recent transaction and SVB facilities also provide the group with greater access to capital which can be deployed in support of the company.

Data Security

The company recognises the increasing importance of data security to our customers and other stakeholders and continues to invest heavily in the security of our services and products and the data therein. The company has also undertaken external testing of our security and will continue to do so. For more information on our products and security please visit www.realvnc.com.

Liquidity and credit risk

Liquidity risk is the risk that the company cannot meet its financial obligations as they fall due, which is linked to the credit risk that the company's customers will default on their payments. The company policy throughout the period has been to maintain liquid funds in its bank accounts and ensuring sufficient liquidity to service forecasted requirements to meet obligations arising from its borrowings and investment in programs to drive the growth of the business. The company also has a diverse customer base and implements policies to ensure outstanding debts are actively monitored and actioned.

This report was approved by the board on

13/7/2022

and signed on its behalf.



C H Yelland
Director

REALVNC LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

Future developments

Please refer to the 'Business review' section of the Strategic Report on page 1 for details on the additional backing the company received during the year and the impact on future developments of the business.

Dividends

Dividends have not been paid and are not proposed (2020: Nil).

Financial instruments

The company's financial instruments comprise cash and various items such as trade debtors and trade creditors that arise directly from operations. These expose the company to interest rate risk, foreign exchange risk, liquidity risks and credit risk. The Board continually monitor and assess the company's exposure and appetite for risk and has overall responsibility for identifying and managing risks. The principle risks of the company are discussed in more detail within the Strategic Report on page 2.

Directors

The directors who served during the year were:

A C Harter (resigned 15 August 2021)
A Hopper (resigned 15 August 2021)
A Greenwood-Byrne (resigned 15 August 2021)
A Woodhouse (appointed 15 August 2021)
C H Yelland (appointed 10 February 2022)

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force through the year and remains in force. The company has also purchased Directors' and Officers' liability insurance which was in place throughout the year.

Research and development

The company continues to invest significantly in research and development activities with the development of existing and new capabilities being a core part of the ongoing strategy for the business. The backing of Livingbridge and SVB will enable the company to increase investment in this area alongside other core route to market functions to deliver the anticipated growth in future financial periods. The costs of employees within the company engaged in research and development activities are fully expensed to the Statement of Comprehensive Income.

REALVNC LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that 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 auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 13/7/2022 and signed on its behalf.



C H Yelland
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REALVNC LIMITED

Opinion

We have audited the financial statements of RealVNC Limited (the 'company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REALVNC LIMITED (CONTINUED)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REALVNC LIMITED (CONTINUED)

Matter on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REALVNC LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Companies Act 2006.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - Challenge assumptions and judgements made by management in its significant accounting estimates;
 - Identifying and testing journal entries, including manual journals to revenue; and
 - Identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and understanding of the legal and regulatory requirements specific to the entity including the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules, and the applicable statutory provisions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the entity's control environment, including management's knowledge of relevant laws and regulations and how the company is complying with those laws and regulations, the adequacy of procedures for authorisation of transactions, and procedures to ensure that possible breaches of law and regulations are appropriately resolved.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REALVNC LIMITED (CONTINUED)

Use of our report

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.

Grant Thornton UK LLP

Andrew Hodgekins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
Date: 13/7/2022

REALVNC LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	11,051,644	8,730,829
Cost of sales		(178,513)	(151,513)
Gross profit		10,873,131	8,579,316
Administrative expenses		(7,190,303)	(6,415,944)
Exceptional administrative expenses	12	(7,985,693)	-
Operating (loss)/profit	5	(4,302,865)	2,163,372
Interest receivable and similar income	9	5,469	10,087
Interest payable and expenses	10	(135,115)	(2,310)
(Loss)/profit before tax		(4,432,511)	2,171,149
Tax on (loss)/profit	11	2,160,735	233,846
(Loss)/profit for the financial year		(2,271,776)	2,404,995

The notes on pages 13 to 31 form part of these financial statements.

REALVNC LIMITED
REGISTERED NUMBER:04446945

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	28,378	142,016
Tangible assets	14	76,543	87,902
		<u>104,921</u>	<u>229,918</u>
Current assets			
Debtors: amounts falling due within one year	15	5,732,949	1,863,126
Cash at bank and in hand	16	4,907,431	7,181,635
		<u>10,640,380</u>	<u>9,044,761</u>
Creditors: amounts falling due within one year	17	(10,612,530)	(6,732,330)
Net current assets		<u>27,850</u>	<u>2,312,431</u>
Total assets less current liabilities		<u>132,771</u>	<u>2,542,349</u>
Creditors: amounts falling due after more than one year	18	(378,009)	(517,069)
Net (liabilities)/assets		<u>(245,238)</u>	<u>2,025,280</u>
Capital and reserves			
Called up share capital	20	5,333	5,333
Share premium account	21	17,417	17,417
Share based payment reserve	21	4,916	3,658
Profit and loss account	21	(272,904)	1,998,872
		<u>(245,238)</u>	<u>2,025,280</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
13/7/2022

C Yelland

C H Yelland
Director

The notes on pages 13 to 31 form part of these financial statements.

REALVNC LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	5,333	17,417	3,658	1,998,872	2,025,280
Comprehensive income for the year					
Loss for the year	-	-	-	(2,271,776)	(2,271,776)
Credit to equity for share based payments	-	-	1,258	-	1,258
At 31 December 2021	5,333	17,417	4,916	(272,904)	(245,238)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020	5,333	17,417	-	(406,123)	(383,373)
Comprehensive income for the year					
Profit for the year	-	-	-	2,404,995	2,404,995
Credit to equity for share based payments	-	-	3,658	-	3,658
At 31 December 2020	5,333	17,417	3,658	1,998,872	2,025,280

The notes on pages 13 to 31 form part of these financial statements.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

RealVNC Limited is a private company limited by shares & incorporated in England and Wales. Its registered head office is located at 50-60 Station Road, Cambridge, England, CB1 2JH. The operations and activities of the company are described in the Strategic report on pages 1 - 2.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of Raptor Topco Limited as at 31 December 2021 and these financial statements may be obtained from Companies House.

2.3 Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to foreign exchange, interest rate, market, credit and liquidity risks are described in the Strategic Report.

The company is investing in all areas of the business to deliver a multifaceted growth strategy underpinned by a strong product offering. The good underlying operating cash flows, cash reserves and RCF available to one of the parent entities are expected to allow the company to meet existing commitments and continue to invest in medium term growth.

After making enquiries and considering the company's existing forecasts and policies to manage financial risks, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Revenue

Revenue represents amounts derived from the provision of services which fall within the company's ordinary activities, exclusive of discounts, value added tax and other similar sales taxes. Revenue is measured by reference to the fair value of consideration received or receivable.

Revenue earned from sales under licence agreements is recognised when the software is made available. When the sale includes a period of support and maintenance, a proportion of the revenue is deferred and recognised straight line over the period of support.

Where revenue arises from subscription sales for software access, amounts are recognised over the period of the contract, commencing from when the software is available for use. Revenue from the initial access fees is initially reported as deferred income and is transferred to the profit and loss over the period of the contract.

Service revenue is recognised in the period that the services and training are provided on the basis of time worked at agreed contractual terms and as direct expenses are incurred.

Royalty revenue, which is generally earned based upon a fixed amount per product sold, is recognised on an accrual basis in accordance with the contractual terms.

2.5 Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using their straight-line method.

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

The intangible assets are amortised over the following useful economic lives:

Website domain	5 years
Software	2 - 3 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

REALVNC LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The rates applicable are:

Leasehold improvements	- 4 years
Office equipment	- 4 years
Computer equipment	- 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.10 Financial instruments

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

2.13 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

REALVNC LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.15 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.16 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.17 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

REALVNC LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Deferred tax

The company has trading losses carried forward for which a deferred tax asset is recognised. The directors have assessed the recovery of tax losses on the basis of ongoing trading expectations. The recognition of a deferred tax asset impacts the future tax charge reported in the Statement of comprehensive income.

Share based payments

Share based payments are calculated in accordance with FRS 102 using the Black Scholes valuation model. The key judgements made by management is in relation to the value of each share and the volatility of the share price. As there is no readily available market for the parent company's shares, management has estimated volatility and share value based on the historic and forecast performance of the group and on a range of peer companies.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. Turnover

	2021 £	2020 £
SaaS and subscription	9,995,359	7,722,336
Support	296,134	551,529
Licences and royalties	654,844	456,964
Other	105,307	-
	<u>11,051,644</u>	<u>8,730,829</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	1,002,032	322,650
Rest of Europe	2,619,590	1,564,878
Rest of the world	7,430,022	6,843,301
	<u>11,051,644</u>	<u>8,730,829</u>

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021 £	2020 £
Operating lease rentals - land and buildings	328,706	208,932
Depreciation of tangible fixed assets	54,648	68,599
Amortisation of intangible assets, including goodwill	75,998	65,798
Exchange differences	27,085	71,497
Share based payments	1,258	3,658
Loss on disposal of fixed assets	71,831	-
Charity donations	2,316	-
	<u>718,836</u>	<u>1,018,284</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>35,000</u>	<u>26,000</u>
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	22,750	5,630
Tax advisory services	48,670	-
Accounts preparation services	<u>2,000</u>	<u>-</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	3,164,384	3,432,862
Social security costs	357,310	399,937
Cost of defined contribution scheme	276,902	213,021
	<u>3,798,596</u>	<u>4,045,820</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Research and development	30	29
Administrative	30	30
	<u>60</u>	<u>59</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Directors' remuneration

	2021	2020
	£	£
Directors' emoluments	207,191	410,329
Company contributions to defined contribution pension schemes	80,346	16,425
	<u>287,537</u>	<u>426,754</u>

During the year retirement benefits were accruing to three directors (2020: one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £115,065 (2020: £210,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,591 (2020: £9,000).

9. Interest receivable

	2021	2020
	£	£
Interest receivable	5,469	10,087
	<u>5,469</u>	<u>10,087</u>

10. Interest payable and similar expenses

	2021	2020
	£	£
Bank interest payable	4,480	2,310
Loans from group undertakings	130,635	-
	<u>135,115</u>	<u>2,310</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Taxation

	2021	2020
	£	£
Corporation tax		
Adjustments in respect of previous periods	(202,163)	-
	<u>(202,163)</u>	<u>-</u>
Foreign tax		
Foreign tax suffered	-	3,246
Foreign tax in respect of prior periods	372	-
	<u>(201,791)</u>	<u>3,246</u>
Deferred tax		
Origination and reversal of timing differences	(1,847,797)	(237,092)
Adjustments in respect of prior periods	(27,570)	-
Effect of tax rate change on opening balance	(83,577)	-
	<u>(1,958,944)</u>	<u>(237,092)</u>
Taxation on loss on ordinary activities	<u>(2,160,735)</u>	<u>(233,846)</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
(Loss)/profit on ordinary activities before tax	<u>(4,432,511)</u>	<u>2,171,149</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(842,169)	412,518
Effects of:		
Fixed asset differences	(3,190)	1,675
Expenses not deductible for tax purposes	164,541	715
Other permanent differences	(739,664)	318
Foreign tax credits	-	3,246
R&D Expenditure credits	16,156	-
Adjustments to tax charge in respect of prior periods	(201,791)	-
Adjustments to tax charge in respect of prior periods - deferred tax	(27,570)	-
Remeasurement of deferred tax for changes in tax rates	(527,048)	(68,665)
Deferred tax asset recognised	-	(237,092)
Deferred tax not recognised	-	(346,561)
Total tax credit for the year	<u>(2,160,735)</u>	<u>(233,846)</u>

Factors that may affect future tax charges

Factors that may affect future tax charges During the 3 March 2021 Budget, the Chancellor announced that the UK tax rate will increase to 25% from 1 April 2023. This will impact the company's future tax charge. This has been taken into account in the measurement of deferred tax balances.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Exceptional items

The exceptional expenses recognised in the Statement of Comprehensive Income can be broken down as follows:

	2021 £	2020 £
Preparation of company for sale	489,879	-
Settlement with former executive on leaving and for services performed	7,495,814	-
	<u>7,985,693</u>	<u>-</u>

13. Intangible assets

	Domain name £	Software £	Total £
Cost			
At 1 January 2021	116,037	196,949	312,986
Purchases	31,925	-	31,925
Disposals	(102,908)	-	(102,908)
At 31 December 2021	<u>45,054</u>	<u>196,949</u>	<u>242,003</u>
Amortisation			
At 1 January 2021	29,937	141,033	170,970
Charge for the year	21,787	54,211	75,998
On disposals	(33,343)	-	(33,343)
At 31 December 2021	<u>18,381</u>	<u>195,244</u>	<u>213,625</u>
Net book value			
At 31 December 2021	<u>26,673</u>	<u>1,705</u>	<u>28,378</u>
At 31 December 2020	<u>86,100</u>	<u>55,916</u>	<u>142,016</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Tangible fixed assets

	Lease Improvements £	Office and computer equipment £	Total £
Cost			
At 1 January 2021	50,468	926,448	976,916
Additions	-	45,557	45,557
Disposals	(50,468)	(40,957)	(91,425)
At 31 December 2021	-	931,048	931,048
Depreciation			
At 1 January 2021	37,491	851,523	889,014
Charge for the year	12,977	41,671	54,648
Disposals	(50,468)	(38,689)	(89,157)
At 31 December 2021	-	854,505	854,505
Net book value			
At 31 December 2021	-	76,543	76,543
At 31 December 2020	12,977	74,925	87,902

15. Debtors

	2021 £	2020 £
Trade debtors	1,138,856	1,204,252
Amounts owed by group undertakings	1,891,085	-
Other debtors	138,970	24,015
Prepayments and accrued income	368,002	397,767
Deferred tax asset	2,196,036	237,092
	<u>5,732,949</u>	<u>1,863,126</u>

Included in trade debtors is an impairment loss of £64,300 (2020: £48,723).

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>4,907,431</u>	<u>7,181,635</u>

17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Other loans	14,000	-
Trade creditors	77,584	8,978
Amounts owed to group undertakings	2,832,544	60,919
Corporation tax	3,618	3,246
Other taxation and social security	175,902	154,516
Other creditors	5,767	2,416
Accruals and deferred income	7,503,115	6,502,255
	<u>10,612,530</u>	<u>6,732,330</u>

The amounts owed to group undertakings above is inclusive of £2,729,501 (2020: £0) owed to Raptor Bidco Limited as part of an intercompany loan arrangement. This amount includes both principal and interest. The interest rate on this loan is fixed at 10% and is unsecured. There is no set repayment plan.

18. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Accruals and deferred income	<u>378,009</u>	<u>517,069</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. Deferred taxation

	2021 £	2020 £
At beginning of year	237,092	-
Charged to profit or loss	1,958,944	237,092
At end of year	2,196,036	237,092

The deferred tax asset is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	(3,327)	(14,872)
Short term timing differences	3,288	2,882
Losses and other deductions	2,196,075	249,082
	2,196,036	237,092

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
5,333 (2020: 5,333) Ordinary shares of £1 each	5,333	5,333

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. Reserves**Share premium account**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Share based payment reserve

The share based payment reserve relates to cumulative share based payment charges for share options.

Profit and loss account

Includes all current and prior period retained profits and losses.

22. Share based payments

In 2006 an EMI Share Option Plan was established by the directors for VNC Group Limited for the benefit of its employees and for services provided by third parties. During the year the directors granted no share options over ordinary shares of VNC Group Limited. Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Weighted average exercise price (pence) 2021	Number 2021	<i>Weighted average exercise price (pence) 2020</i>	<i>Number 2020</i>
Outstanding at the beginning of the year	0.54	32,430	1.05	27,136
Granted during the year	-	-	0.01	15,758
Lapsed/cancelled during the year	0.78	(12,513)	1.05	(10,464)
Exercised during the year	0.39	(19,917)	-	-
Outstanding at the end of the year	-	-	0.54	32,430

A share-based payment charge of £1,258 has been included in the financial statements for the year ended 31 December 2021.

23. Related party transactions

Total remuneration paid to Key Management Personnel during the year was £480,262.

The company has taken advantage of the exemption available in accordance with FRS 102 not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group which is party to the transactions.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

24. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £276,902 (2020: £213,021). Contributions totalling £30,113 (2020: £35,645) were payable to the fund at the reporting date and are included in creditors.

25. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	£	£
Not later than 1 year	295,205	70,371
Later than 1 year and not later than 5 years	73,801	-
	<u> </u>	<u> </u>

Lease payments of £328,706 (2020: £208,932) were recognised in the Statement of Comprehensive Income in the year.

26. Controlling party

The directors consider the ultimate parent undertaking and controlling party to be Raptor Topco Limited.

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is Raptor Topco Limited. Copies of the financial statements can be obtained from Companies House.