COMPANY REGISTRATION NUMBER: 04829985

RED EMBEDDED HOLDINGS LIMITED

FINANCIAL STATEMENTS

31 August 2020

RED EMBEDDED HOLDINGS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2020

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RED EMBEDDED HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	S J Griffin W T Hoath D J Longhorn R Mehra D H Taylor
Company secretary	S J Griffin
Registered office	The Wave 1 View Croft Road Shipley BD17 7DU
Auditor	Wheawill & Sudworth Limited Chartered Accountants & statutory auditor 35 Westgate Huddersfield HD1 1PA
Bankers	HSBC Bank plc 33 Park Row Leeds West Yorkshire LS1 1LD

RED EMBEDDED HOLDINGS LIMITED

STRATEGIC REPORT

YEAR ENDED 31 AUGUST 2020

The directors present their report for the financial year ended 31 August 2019. Principal activity and business review The company was a non-active holding company during the year. The group is a professional services provider specialising in technology development. Historically, the group's largest clients have been Pay-TV operators, for whom Red Embedded designs and develops significant technical assets such as software stacks and CPE hardware. More recently, the group's established skills in developing connected digital products have seen application with a wider variety of clients wishing to create connected propositions using IoT technologies . Results, Performance and Developments during the year Total revenue for this financial year was £18,339,236 which represents an increase of 16% over the previous year. The growth is largely attributable to increase in demand for software design and integration services from existing European customers, and was enabled by investments made in the previous year in a new development centre in Wroclaw, Poland. Improved economics of scale yielded a 55% increase in total comprehensive income from £2,827,647 to £4,381,532. The group remains debt-free with a strong balance sheet: net assets increased to £15,017,890 from last year's figure of £10,636,358. Principal risks and uncertainties The group has an international client base and operates from the UK, Poland and the US. Both costs and revenue are affected by foreign exchange rate movements. The group employs hedging strategies to mitigate the effect of adverse currency fluctuations. The Brexit transition added a degree of uncertainty to trade outlook at the beginning of the period. However there are currently no tariffs or regulations applicable to the group's services even under WTO rules and the impact of the transition has proved to be minimal. The group has adapted well to restrictions resulting from the Covid-19 pandemic. The vast majority of staff have been able to work from home from the start of the first lockdowns in March 2020 with no detriment to productivity. The process of risk management is addressed through established business processes and internal controls. Potential risks are managed through careful market and data analysis, sensible planning and early reaction to changes that affect the business. Financial Instruments The group's principal financial instruments comprise of bank balances, trade creditors and trade debtors. These instruments provide sufficient funding for the group's continuing operations. Key Performance indicators The directors use a range of key performance indicators to manage the group. These include sales order pipeline, gross margin, cash generation, staff headcount and customer satisfaction. Outlook The directors are continually seeking opportunities to expand the business and to drive enhanced financial performance from the core activities. Technological, regulatory and market changes continue to drive demand for specialist professional services from companies needing to develop innovative products. The group is well placed to provide such services and the outlook is one of continued growth, limited by resource availability rather than client demand.

This report was approved by the board of directors on 24 May 2021 and signed on behalf of the board by:

D H Taylor

Director

RED EMBEDDED HOLDINGS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2020

The directors present their report and the financial statements of the group for the year ended 31 August 2020 .

Directors

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

S J Griffin

W T Hoath

D J Longhorn

R Mehra

D H Taylor

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Disclosure of information in the strategic report

In accordance with Section 414C(11), Companies Act 2006, the following information required to be contained in this report is set out in the company's Strategic Report on page 2: principal activities, business review, future developments, financial risks and uncertainties.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period. In preparing these financial statements, the directors are required to: - select suitable accounting policies and then apply them consistently; - make judgments and accounting estimates that are reasonable and prudent; - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The directors are responsible for keeping 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. Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information. The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 24 May 2021 and signed on behalf of the board by:

D H Taylor

Director

RED EMBEDDED HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RED EMBEDDED HOLDINGS LIMITED

YEAR ENDED 31 AUGUST 2020

Opinion

We have audited the financial statements of Red Embedded Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2020 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, 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 FRS 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 group's and of the parent company's affairs as at 31 August 2020 and of the group's profit for the year then ended; - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; - 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 group 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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. 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 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.

Responsibilities of directors

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 group's and the parent 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 group or the parent 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. As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also: - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors. - Conclude 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 group's or the parent 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern. - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. 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.

David Butterworth

(Senior Statutory Auditor)

For and on behalf of

Wheawill & Sudworth Limited

Chartered Accountants & statutory auditor

35 Westgate

Huddersfield

HD1 1PA

24 May 2021

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 AUGUST 2020

	Note	2020 £	2019 £
Turnover	4	**18,339,236**	*15,833,301*
Cost of sales		**(10,492,978)**	*(9,365,034)*
Gross profit		**7,846,258**	*6,468,267*
Administrative expenses		**(3,613,589)**	*(3,555,281)*
Other operating income	5	**1,070,047**	*857,240*
Operating profit	6	**5,302,716**	*3,770,226*
Other interest receivable and similar income	9	**167,756**	*2,248*
Interest payable and similar expenses	10	**(15)**	*(117,455)*
Profit before taxation		**5,470,457**	*3,655,019*
Tax on profit	11	**(1,078,218)**	*(697,045)*
Profit for the financial year		**4,392,239**	*2,957,974*
Currency translation adjustment		**(10,707)**	*2,926*
Total comprehensive income for the year		**4,381,532**	*2,827,647*
Profit for the financial year attributable to:			
The owners of the parent company		**3,865,690**	*2,485,983*
Non-controlling interests		**526,549**	*471,991*
		4,392,239	*2,957,974*
Total comprehensive income for the year attributable to:			
The owners of the parent company		**3,854,983**	*2,488,909*
Non-controlling interests		**526,549**	*338,738*
		4,381,532	*2,827,647*

All the activities of the group are from continuing operations.

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

31 August 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	2,233	2,693
Tangible assets	14	306,547	353,325
		308,780	356,018
Current assets			
Debtors	16	5,965,344	4,245,507
Investments	17	6,333	6,333
Cash at bank and in hand		10,405,613	7,511,158
		16,377,290	11,762,998
Creditors: amounts falling due within one year	18	(1,660,180)	(1,476,358)
Net current assets		14,717,110	10,286,640
Total assets less current liabilities		15,025,890	10,642,658
Provisions			
Taxation including deferred tax	19	(8,000)	(6,300)
Net assets		15,017,890	10,636,358
Capital and reserves			
Called up share capital	23	98	98
Share premium account	24	11,432	11,432
Other reserves, including the fair value reserve	24	5,066	5,066
Profit and loss account	24	13,108,517	9,253,534
Equity attributable to the owners of the parent company		13,125,113	9,270,130
Non-controlling interests		1,892,777	1,366,228
		15,017,890	10,636,358

These financial statements were approved by the board of directors and authorised for issue on 24 May 2021 , and are signed on behalf of the board by:

D H Taylor

Director

Company registration number: 04829985

RED EMBEDDED HOLDINGS LIMITED

BALANCE SHEET

31 August 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	15	96	*96*
Current assets			
Debtors	16	9,041	*8,835*
Investments	17	6,333	*6,333*
Cash at bank and in hand		23,665	*23,871*
		39,039	*39,039*
Creditors: amounts falling due within one year	18	(8,138)	*(8,138)*
Net current assets		30,901	*30,901*
Total assets less current liabilities		30,997	*30,997*
Capital and reserves			
Called up share capital	23	98	*98*
Share premium account	24	11,432	*11,432*
Other reserves, including the fair value reserve	24	5,066	*5,066*
Profit and loss account	24	14,401	*14,401*
Shareholders funds		30,997	*30,997*

The profit for the financial year of the parent company was £Nil (2019: £ 880,199).

These financial statements were approved by the board of directors and authorised for issue on 24 May 2021 , and are signed on behalf of the board by:

D H Taylor

Director

Company registration number: 04829985

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 AUGUST 2020

		Called up share capital	Share premium account	Other reserves, including the fair value reserve	Profit and loss account	**Equity attributable to the owners of the parent company**	Non-controlling interests	**Total**
		£	£	£	£	**£**	£	**£**
At 1 September 2018		98	11,432	5,066	7,644,824	*7,661,420*	1,014,045	*8,675,465*
Profit for the year					2,485,983	*2,485,983*	338,738	*2,824,721*
Other comprehensive income for the year:								
Currency translation adjustment		–	–	–	2,926	*2,926*	–	*2,926*
Total comprehensive income for the year		–	–	–	2,488,909	*2,488,909*	338,738	*2,827,647*
Dividends paid and payable	**12**	–	–	–	(880,199)	*(880,199)*	(119,801)	*(1,000,000)*
Disposal of subsidiary with minority interest		–	–	–	–	–	133,246	*133,246*
Total investments by and distributions to owners		–	–	–	(880,199)	*(880,199)*	13,445	*(866,754)*
At 31 August 2019		98	11,432	5,066	9,253,534	**9,270,130**	1,366,228	**10,636,358**
Profit for the year					3,865,690	**3,865,690**	526,549	**4,392,239**
Other comprehensive income for the year:								
Currency translation adjustment		–	–	–	(10,707)	**(10,707)**	–	**(10,707)**
Total comprehensive income for the year		–	–	–	3,854,983	**3,854,983**	526,549	**4,381,532**
At 31 August 2020		98	11,432	5,066	13,108,517	**13,125,113**	1,892,777	**15,017,890**

RED EMBEDDED HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 AUGUST 2020

		Called up share capital	Share premium account	Other reserves, including the fair value reserve	Profit and loss account	**Total**
		£	£	£	£	**£**
At 1 September 2018		98	11,432	5,066	14,401	*30,997*
Profit for the year					880,199	*880,199*
Total comprehensive income for the year		–	–	–	880,199	*880,199*
Dividends paid and payable	**12**	–	–	–	(880,199)	*(880,199)*
Total investments by and distributions to owners		–	–	–	(880,199)	*(880,199)*
At 31 August 2019		98	11,432	5,066	14,401	**30,997**
Profit for the year					–	**–**
At 31 August 2020		98	11,432	5,066	14,401	**30,997**

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 AUGUST 2020

	2020	2019
	£	*£*
Cash flows from operating activities		
Profit for the financial year	**4,392,239**	*2,957,974*
Adjustments for:		
Depreciation of tangible assets	**213,929**	*197,483*
Amortisation of intangible assets	**1,790**	*1,346*
Other interest receivable and similar income	**(167,756)**	*(2,248)*
Interest payable and similar expenses	**15**	*117,455*
Gains on disposal of tangible assets	**(838)**	*(113)*
Unrealised foreign currency (gains)/loss	**(10,707)**	*2,924*
Tax on profit	**1,078,218**	*697,045*
Changes in:		
Trade and other debtors	**(1,719,837)**	*(284,939)*
Trade and other creditors	**183,822**	*(26,159)*
Cash generated from operations	**3,970,875**	*3,660,768*
Interest paid	**(15)**	*(117,455)*
Interest received	**167,756**	*2,248*
Tax paid	**(1,076,518)**	*(688,745)*
Net cash from operating activities	**3,062,098**	*2,856,816*
Cash flows from investing activities		
Purchase of tangible assets	**(167,151)**	*(193,968)*
Proceeds from sale of tangible assets	**838**	*278*
Purchase of intangible assets	**(1,330)**	*(4,039)*
Net cash used in investing activities	**(167,643)**	*(197,729)*
Cash flows from financing activities		
Dividends paid	–	*(1,000,000)*
Net cash used in financing activities	–	*(1,000,000)*
Net increase in cash and cash equivalents	**2,894,455**	*1,659,087*
Cash and cash equivalents at beginning of year	**7,511,158**	*5,852,071*
Cash and cash equivalents at end of year	**10,405,613**	*7,511,158*

RED EMBEDDED HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2020

1. General information

The company is a private company limited by shares, registered in England and Wales, company number04829985. The address of the registered office is The Wave, 1 View Croft Road, Shipley, BD17 7DU.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis . The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

(a) Disclosures in respect of each class of share capital have not been presented.

(b) No cash flow statement has been presented for the company.

(c) Disclosures in respect of financial instruments have not been presented.

(d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Red Embedded Holdings Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Judgements 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 balance sheet 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. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for hardware and software services covering strategic research, design and development and integration services rendered, stated net of discounts and of Value Added Tax.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses. Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Domain name - 33% straight line

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

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Short leasehld property	-	Over initial lease term
Fixtures and fittings	-	15% reducing balance
Office equipment	-	33% straight line
Bicycles	-	25 % reducing balance

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses. An annual impairment review is undertaken.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Defined contribution plans

Contributions to pension funds The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

4. Turnover

Turnover arises from:

	2020	2019
	£	*£*
Rendering of services	**18,339,236**	*15,833,301*

Analysis of turnover by geographical destination:

	2020	2019
	£	*£*
Europe	**13,821,245**	*10,186,069*
Rest of the world	**4,517,991**	*5,647,232*
	18,339,236	*15,833,301*

5. Other operating income

	2020	2019
	£	*£*
Rental income	**105,746**	*21,917*
R&D expenditure credit	**963,399**	*834,042*
Other operating income	**902**	*1,281*
	1,070,047	*857,240*

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020	2019
	£	*£*
Amortisation of intangible assets	**1,790**	*1,346*
Depreciation of tangible assets	**213,930**	*197,482*
Gains on disposal of tangible assets	**(838)**	*(113)*
Impairment of trade debtors	–	*5,469*
Foreign exchange differences	**44,755**	*60,173*

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2020	2019
	No.	*No.*
Administrative staff	**19**	*19*
Direct staff	**104**	*92*
	123	*111*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020	2019
	£	*£*
Wages and salaries	**7,041,120**	*6,468,879*
Social security costs	**426,237**	*396,207*
Other pension costs	**182,019**	*141,978*
	7,649,376	*7,007,064*

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2020	2019
	£	*£*
Remuneration	**431,323**	*421,371*
Company contributions to defined contribution pension plans	**21,247**	*18,253*
	452,570	*439,624*

The number of directors who accrued benefits under company pension plans was as follows:

	2020	2019
	No.	*No.*
Defined contribution plans	**5**	*5*

Remuneration of the highest paid director in respect of qualifying services:

	2020	2019
	£	*£*
Aggregate remuneration	**86,618**	*85,408*
Company contributions to defined contribution pension plans	**3,963**	*3,437*
	90,581	*88,845*

9. Other interest receivable and similar income

	2020	2019
	£	*£*
Interest on loans and receivables	**253**	*2,235*
Other interest receivable	**12**	*13*
Gain on financial instruments	**167,491**	–
	167,756	*2,248*

10. Interest payable and similar expenses

	2020	2019
	£	*£*
Loss on financial instruments	–	*115,838*
Other interest payable and similar charges	**15**	*1,617*
	15	*117,455*

11. Tax on profit

Major components of tax income

	2020	2019
	£	*£*
Current tax:		
UK current tax income	**987,000**	*605,000*
Adjustments in respect of prior periods	**5,500**	*6,488*
Total UK current tax	**992,500**	*611,488*
Foreign current tax income	**84,018**	*77,257*
Total current tax	**1,076,518**	*688,745*
Deferred tax:		
Origination and reversal of timing differences	**1,700**	*8,300*
Tax on profit	**1,078,218**	*697,045*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19 % (2019: 19 %).

	2020	2019
	£	*£*
Profit on ordinary activities before taxation	**5,470,457**	*3,655,019*
Profit on ordinary activities by rate of tax	**1,039,387**	*695,010*
Adjustment to tax charge in respect of prior periods	**5,500**	*6,488*
Effect of expenses not deductible for tax purposes	**13,539**	*2,804*
Effect of capital allowances and depreciation	**4,114**	*3,833*
Unused tax losses	**4,610**	–
Rounding on tax charge	**390**	*(2,557)*
Deferred tax not recognised	**7**	*55*
Additional deduction for R&D expenditure	**(19,119)**	*(34,335)*
Other adjustments	**29,790**	*25,747*
Tax on profit	**1,078,218**	*697,045*

12. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2020	2019
	£	*£*
Equity dividends on ordinary shares	–	*1,000,000*

13. Intangible assets

Group	**Patents, trademarks and licences**
	£
Cost	
At 1 September 2019	**4,039**
Additions	**1,330**
At 31 August 2020	**5,369**
Amortisation	
At 1 September 2019	**1,346**
Charge for the year	**1,790**
At 31 August 2020	**3,136**
Carrying amount	
At 31 August 2020	**2,233**
At 31 August 2019	*2,693*

The company has no intangible assets.

14. Tangible assets

Group	Short leasehold property	Fixtures and fittings	Office equipment	Bicycles	**Total**
	£	£	£	£	**£**
Cost					
At 1 September 2019	151,355	273,190	611,427	12,238	**1,048,210**
Additions	–	21,801	145,350	–	**167,151**
Disposals	–	–	(11,658)	–	**(11,658)**
At 31 August 2020	151,355	294,991	745,119	12,238	**1,203,703**
Depreciation					
At 1 September 2019	49,812	112,866	523,504	8,703	**694,885**
Charge for the year	18,825	38,613	155,607	884	**213,929**
Disposals	–	–	(11,658)	–	**(11,658)**
At 31 August 2020	68,637	151,479	667,453	9,587	**897,156**
Carrying amount					
At 31 August 2020	82,718	143,512	77,666	2,651	**306,547**
At 31 August 2019	101,543	160,324	87,923	3,535	*353,325*

The company has no tangible assets.

15. Investments

The group has no investments.

Company	**Shares in group undertakings**
	£
Cost	
At 1 September 2019 and 31 August 2020	**96**
Impairment	
At 1 September 2019 and 31 August 2020	–

Carrying amount	
At 1 September 2019 and 31 August 2020	**96**
At 31 August 2019	*96*

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Red Embedded Consulting Limited	Ordinary A Shares	87.63
Red Embedded Consulting Inc.	Ordinary shares	100
Red Embedded Consulting Sp.z o.o	Ordinary Shares	100

16. Debtors

	Group		**Company**	
	2020	2019	**2020**	2019
	£	*£*	**£**	*£*
Trade debtors	**5,364,178**	*3,178,081*	–	–
Amounts owed by group undertakings	–	–	**9,041**	*8,835*
Prepayments and accrued income	**365,892**	*429,195*	–	–
Corporation tax repayable	**189,996**	*605,436*	–	–
Other debtors	**45,278**	*32,795*	–	–
	5,965,344	*4,245,507*	**9,041**	*8,835*

The amounts due by group companies are made up as follows:

	2020	2019
	£	£
Red Embedded Consulting Limited	9,041	8,835

17. Investments

	Group		**Company**	
	2020	2019	**2020**	2019
	£	*£*	**£**	*£*
Other investments	**6,333**	*6,333*	**6,333**	*6,333*

Investments having an historical cost of £1,267 (2019: £1,267) are listed on a recognised stock exchange and had a market value of £6,333 at the end of the year (2019: £6,333).

18. Creditors: amounts falling due within one year

	Group		**Company**	
	2020	2019	**2020**	2019
	£	*£*	**£**	*£*
Trade creditors	**681,964**	*675,494*	–	–
Accruals and deferred income	**705,331**	*508,271*	–	–
Social security and other taxes	**246,671**	*101,055*	–	–
Director loan accounts	**7,486**	*7,486*	**8,138**	*8,138*
Other creditors	**18,728**	*184,052*	–	–
	1,660,180	*1,476,358*	**8,138**	*8,138*

19. Provisions

Group	Deferred tax (note 20)
	£
At 1 September 2019	**6,300**
Additions	**1,700**
At 31 August 2020	**8,000**

The company does not have any provisions.

20. Deferred tax

The deferred tax included in the balance sheet is as follows:

	Group		Company	
	2020	2019	**2020**	2019
	£	*£*	**£**	*£*
Included in provisions (note 19)	**8,000**	*6,300*	–	–

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2020	2019	**2020**	2019
	£	*£*	**£**	*£*
Accelerated capital allowances	**13,330**	*13,500*	–	–
Deferred tax - other short term timing differences	**(5,330)**	*(7,200)*	–	–
	8,000	*6,300*	–	–

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution pension plans was £ 182,019 (2019: £ 141,978).

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial liabilities measured at fair value through profit or loss

	Group		Company	
	2020	2019	**2020**	2019
	£	*£*	**£**	*£*
Financial liabilities measured at fair value through profit or loss	**15,460**	*182,950*	–	–

23. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	**£**	No.	£
'A' ordinary shares of £ 0.05 each	**1,800**	**90**	*1,800*	*90*
'B' ordinary shares of £ 0.05 each	**20**	**1**	*20*	*1*
'C' ordinary shares of £ 0.05 each	**136**	**7**	*136*	*7*
	1,956	**98**	*1,956*	*98*

The three classes of share rank pari passu in all material respects.

24. Reserves

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income. Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs. Profit and loss account - This reserve records retained earnings and accumulated losses.

25. Analysis of changes in net debt

	At 1 Sep 2019	Cash flows	**At 31 Aug 2020**
	£	£	**£**
Cash at bank and in hand	7,511,158	2,894,455	**10,405,613**
Debt due within one year	(7,486)	–	**(7,486)**
Current asset investments	6,333	–	**6,333**
	7,510,005	2,894,455	**10,404,460**

26. Operating leases

As lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2020	2019	**2020**	2019
	£	*£*	**£**	*£*
Not later than 1 year	**311,138**	*519,043*	–	
Later than 1 year and not later than 5 years	**1,243,212**	*1,714,115*	–	–
	1,554,350	*2,233,158*	–	–

As lessor

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2020	2019	**2020**	2019
	£	*£*	**£**	*£*
Not later than 1 year	**48,720**	*98,930*	–	–
Later than 1 year and not later than 5 years	–	*49,879*	–	–
	48,720	*148,809*	–	–

27. Directors' advances, credits and guarantees

The directors' loan accounts of £8,138 (2019: £8,138) are unsecured, repayable on demand and currently interest free. There is no one controlling party of the company. Aggregate dividends paid to the directors equally during the year amounted to £nil (2019: £818,370).

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