

Red Gate Software Limited
Annual report and financial statements
for the year ended 31 December 2020

Registered number: 03857576



Red Gate Software Limited

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Red Gate Software Limited

Officers and professional advisers

Directors

N Davidson
Dr S Galbraith
S Brown
P Snare
J Lamik
C Knight
K Boyle

Secretary

H Russell (appointed 11 May 2020)

Registered Office

Newnham House
Cambridge Business Park
Cambridge
CB4 0WZ

Bankers

National Westminster Bank Plc
56 St Andrews Street
Cambridge
CB2 3DA

Solicitors

Mills & Reeve LLP
Botanic House
100 Hills Road
Cambridge
CB2 1PH

Auditor

KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Red Gate Software Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of the business

Red Gate Software Limited (Redgate) has produced a very strong set of business results with turnover growth, cash generation and robust investment despite significant market turmoil as a result of the COVID-19 pandemic.

Redgate's 2020 turnover of £53.8m; comparing this to the previous financial year of £51.6m, represents a 4% year on year growth in accounting revenue. Operating profit of £11.5m is an increase on the previous financial year of £11.0m, albeit with consistent margin of 21%, representing Redgate's commitment to investment to support our customers and drive revenue growth.

Redgate develops and sells software for database professionals, primarily based around the Microsoft data platform. Redgate continues to operate on an international basis through our US subsidiary, with offices located in Pasadena, California and Austin, Texas; our Australian subsidiary, based in Brisbane; and our German subsidiary, located in Berlin. The international teams continue to provide a sales support service to our customers in different time zones.

The profit-share scheme for employees continued and we continued to use our 'always-on' employee engagement measure to translate real-time employee engagement feedback into a responsive and agile approach to employee engagement. Redgate prides itself on creating memorable events for employees, alongside numerous charity activities and evenings out.

Redgate's directors would like to publicly extend their thanks to everyone working at Redgate, and for their part in our continued success. We are confident that, through our continued reinvestment in product development, innovation, and ability to attract and retain a high calibre of staff, Redgate will continue to delight both new and existing customers and therefore continue to thrive.

As a software company, our ability to generate healthy profit and cash surpluses for continued reinvestment in R&D activities is essential to Redgate's long term health, success and commercial viability. The key performance indicators below show the financial performance that we believe will facilitate the organic growth plans we are currently investing in. As the indicators suggest, we believe Redgate is in good shape and we're looking forward to the challenges ahead.

Key performance indicators

	Metric	2020	2019	2018	2017	2016
Turnover	£m	53.8	51.6	45.7	39.3	31.7
Operating profit	£m	11.5	11.0	10.9	8.6	5.3
Operating profit margin	%	21.3	21.2	23.9	21.8	16.7
Administrative expenses	£m	42.4	40.7	35.0	30.9	26.5
Total assets	£m	60.3	54.1	46.1	37.7	27.2
Liquid assets*	£m	33.9	30.4	31.6	25.5	18.5
Gross capital**	£m	7.5	5.8	6.1	4.4	0.8
Average headcount	Number	286	266	243	216	228

*Cash at bank and in hand; includes £0.25m (2019: £0.50m) in restricted cash (note 21).

**Shareholders' funds

The above KPIs have been disclosed on the basis that they are the financial metrics which are most closely monitored by management and most accurately represent the performance and position of the Company.

The KPIs have been calculated from the figures in the balance sheet and profit and loss account.

Red Gate Software Limited

Strategic report

Section 172 statement

In accordance with Section 172 of the Companies Act 2006, the Board recognises the importance of our wider stakeholders to the sustainability of our business. Under Section 172, a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to factors (a) to (f):

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between members of the company.

The Board have identified the following stakeholders in regard to this duty:

- shareholders;
- employees;
- wider community in the environments in which we operate, both geographically and commercially;
- customers; and
- suppliers and partners.

The Board's decision-making process is very much driven by considerations of each of the six areas given in Section 172. To maximise the ability of the Board to consider how such decisions made impact across these areas, the Board undertakes significant effort to engage with these stakeholders. Examples of how the Board ensures engagement with stakeholders is given below.

Material issues	Engagement methods
<ul style="list-style-type: none">• Financial performance;• our strategy; and• long-term viability.	<ul style="list-style-type: none">• Annual general meetings;• annual report and accounts; and• sustaining regular interaction between directors and shareholders.
<ul style="list-style-type: none">• Culture;• values;• progression and personal development opportunities; and• workforce engagement.	<ul style="list-style-type: none">• Establishing our employee code of conduct;• hosting regular employee feedback meetings with managers and annual appraisals;• providing employee feedback systems, the results of which are regularly reviewed by management and the Board;• developing recruitment and personal development plans for employees; and• providing regular business updates from the directors and senior management to all employees, including via Company-wide meetings.

Red Gate Software Limited

Strategic report

Section 172 statement (continued)

<ul style="list-style-type: none">• Economic and operational impact of Company businesses on local communities.	<ul style="list-style-type: none">• Developing high-quality products, taking into account customer feedback, to equip them with the tools to solve business problems;• dedicating employee teams devoted to giving something back to the geographical communities in which we operate through, for example, charitable work; and• maintaining community forums such as SQL Server Central and publishing informational blogs to the community.
<ul style="list-style-type: none">• Operational strength and the ability to meet customer requirements;• ability to provide high quality solutions and technical expertise and advice;• ensuring we remain competitive with a strong differentiated value proposition; and• innovation with R&D to develop new solutions to customer requirements.	<ul style="list-style-type: none">• Maintaining effective customer relationship management systems to support the identification of customer needs;• monitoring of customer feedback on the Company's support services;• focussing on continued innovation and prioritisation of research and development resource; and• maintaining an account management structure across the businesses to encourage meaningful, consistent and ongoing engagement with customers.
<ul style="list-style-type: none">• Potential disruption of supply chain; and• financial performance.	<ul style="list-style-type: none">• Ensuring effective and regular communication with suppliers;• continually monitoring the quality of our suppliers to optimise operational efficiency;• ongoing dialogue with strategic business partners;• communicating the Company's values with our partners and ensuring that these are shared.

In instances where decisions may need to be taken which face conflicting views and impacts from these stakeholders, these conflicts are considered in light of what the Board consider to be the likely impact of the business in the long term and what is most likely to promote the success of the business overall. Decisions taken also consider the risks and uncertainties the Company faces, details of which are given on page 5.

Red Gate Software Limited

Strategic report

Principal risks and uncertainties

<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p><i>Strategic Risks</i></p> <ul style="list-style-type: none"> - Failure to extend and strengthen our core product portfolio - Failure to introduce new product(s) - Competitors' actions lead to loss of market for core products - Failure to manage key external strategic relationships 	<ul style="list-style-type: none"> - Obsolescence of core products leads to reduced revenue - Reliance on existing core products leads to lack of growth - Loss of revenue and growth prospects are damaged - Our ability to develop, market and sell our products is impaired 	<p>Redgate organises outreach initiatives and staff attend industry events on a regular basis to meet with customers and ensure their needs and requirements are understood. Investment is made accordingly in research and development, ensuring investment strategies are continually evaluated and revised, and making sure the right amount of investment is allocated to the right products. The Company will also continue investing externally in order to extend and strengthen Redgate's portfolio of products.</p> <p>Redgate undertakes a variety of external monitoring activities to understand and respond to changes in our markets and the changes made by new and existing competitors. This monitoring is a key insight to our product development activity.</p> <p>Redgate places considerable resource and energy behind maintaining a strong brand and industry presence through a variety of marketing-led evangelist and thought leadership activities in addition to our established 'Friends of Redgate' programme. This network provides valuable insight and information to Redgate that informs how we choose to develop, market and sell our products.</p>
<p><i>Operational Risks</i></p> <ul style="list-style-type: none"> - Failure to recruit and retain highly skilled and motivated employees 	<ul style="list-style-type: none"> - Inability to deliver the Company strategy and our ability to develop, market and sell new products suffers 	<p>Redgate prides itself on having an exceptional culture and working environment. Employee engagement and satisfaction are key areas of focus and are monitored continually. A great deal of investment is made to ensure that Redgate is an effective and fulfilling workplace, and that employees genuinely enjoy working at Redgate. This ongoing focus continues to ensure that Redgate attracts and retains employees of a very high calibre.</p>

Red Gate Software Limited

Strategic report

Principal risks and uncertainties (continued)

<p><i>Operational Risks (continued)</i></p> <ul style="list-style-type: none"> - Lack of clarity and focus on execution of strategy - Investments we make do not succeed 	<ul style="list-style-type: none"> - Failure to execute our strategy means that the performance and growth of the business is impaired - Our financial results are affected through the write off of failed investments 	<p>Redgate has established a strong management and control system, that incorporates a variety of different methodologies to ensure the governance and execution of our strategy is closely monitored. We will continue to match the governance and execution of our strategies to the underlying activities and their inherent risk and reward.</p> <p>Financial due diligence is completed before all investment decisions to ensure that the investment is appropriate for the potential reward, and should that investment fail, Redgate can afford to incur that cost. Thereafter, Redgate monitors and accounts for changes in fair value in accordance with the principles of FRS 102.</p>
<p><i>Economic Risk</i></p> <ul style="list-style-type: none"> - COVID-19 pandemic introducing inherent uncertainty for the economy in the short to medium term 	<ul style="list-style-type: none"> - Short term growth likely to be hindered and failure to adapt operationally and financially could lead further disruption to medium term growth 	<p>Redgate carries out timely financial forecasting to understand the potential economic impact that the COVID-19 pandemic may have on the business, including a range of potential different scenarios. The directors and management regularly review these forecasts to consider whether any action is required to be taken to mitigate against this impact. This regular and ongoing review mitigates the risk that the business will not adapt to highly uncertain times.</p>

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the Board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Wherever possible these are naturally hedged with similar levels of income and expenditure in each foreign currency.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. Credit checks are made on customers before sales are made in order to mitigate this risk. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Red Gate Software Limited

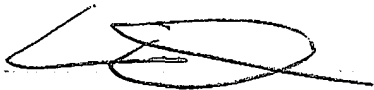
Strategic report

Financial risk management objectives and policies (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company maintains significant cash balances.

On behalf of the Board



Dr S Galbraith
Director

Newnham House
Cambridge Business Park
Cambridge
CB4 0WZ

Date 27 September 2021

Red Gate Software Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2020.

Future developments and events after the balance sheet date

The directors expect the general level of commercial investment in 2021 to be increased over that of 2020. This being to increase the growth we've already seen.

On the product side, we are looking to continuing a more structured approach to developing new products internally alongside a more deliberate M&A strategy, to drive new product development and further commercial opportunities.

The global pandemic of COVID-19 has resulted in economic and social changes unprecedented in living memory that present significant challenges to global markets, economies and society as a whole. Despite the uncertainty of the duration and impact of these changes and the volatility that they will bring, the directors remain confident that Redgate is well placed to weather any changes arising, be it in foreign exchange rates, reduction in demand or the requirements to work remotely. This is due to the Company's robust financial position, the nature of the industry in which Redgate operates and the professionalism and determination of Redgate's employees.

The directors have considered the impact of severe, yet plausible downside scenarios arising from COVID-19 on future cash flows, with further detail provided in note 1b in the going concern section of the financial statements.

Research and development

Red Gate Software Limited continues to develop new software products and expects further product developments during 2020. The total amount charged to the profit and loss account for research and development expenditure during the year was £2.02m (2019: £1.79m).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1b of the Notes to the financial statements.

Directors

The directors, who served throughout the year, and subsequent to the year-end, except as noted, were as follows:

N Davidson
Dr S Galbraith
S Brown
P Snare
J Lamik (appointed 24 July 2020)
C Knight (appointed 10 August 2020)
K Boyle (appointed 1 June 2021)
A Payne (resigned 7 May 2020)

Financial risk management objectives and policies

Details of the financial risk management objectives and can be found in the strategic report on pages 6 and 7 and form part of this report by cross-reference.

Dividends

The directors have recommended dividends of £8.58m (2019: £9.95m) which have been fully paid during the year. No further dividends are proposed.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Red Gate Software Limited

Directors' report

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and financial updates through the employee intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Charitable donations

During the year, the Company made charitable donations of £30,112 (2019: £22,176).

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosure presents the Company's carbon footprint within the United Kingdom for Scope 1, 2 and 3 emissions based on SECR Legislation, an appropriate intensity metric and the total energy use of electricity, gas and transport fuel for the year ended 31 December 2020. This is the first year that SECR has applied, and comparative data is not available.

	Metric	2020
Scope 1 – Combustion of fuel from direct operation of facilities	tCO ₂ e	162
Scope 2 – Electricity, heat, steam and cooling purchased for own use	tCO ₂ e	196
Scope 3 – Business travel	tCO ₂ e	-
		<u>358</u>
Intensity measurement	tCO ₂ e/£m revenue	6.6
Energy consumption – energy used to calculate emissions	mWh	1,719

The Company continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including:

- being 100% powered from renewable sources by switching to a renewable tariff during the year;
- increasing investment in training staff about energy efficiency; and
- continuous monitoring and central control of heating, ventilation and air conditioning.

Red Gate Software Limited

Directors' report

Auditor

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

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG LLP will be deemed to be re-appointed for the next year under Section 487 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



Dr S Galbraith
Director

Newnham House
Cambridge Business Park
Cambridge
CB4 0WZ

Date 27 September 2021

Red Gate Software Limited

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Red Gate Software Limited

Opinion

We have audited the financial statements of Red Gate Software Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Red Gate Software Limited

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is not recognized correctly between license and service income and the risk that company management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Obtaining a sample of invoices and supporting documentation to assess whether revenue has been recorded appropriately.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation recognizing the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Red Gate Software Limited

Fraud and breaches of laws and regulations – ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Red Gate Software Limited

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Matthew Radwell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date 29 September 2021

Red Gate Software Limited

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	3	53,804	51,635
Gross profit		53,804	51,635
Administrative expenses		(42,355)	(40,677)
Other operating income	4	2	14
Operating profit		11,451	10,972
Finance income - net	5	146	210
Profit before taxation	6	11,597	11,182
Tax on profit	9	(1,367)	(1,470)
Profit for the financial year		10,230	9,712
Other comprehensive income		-	-
Total comprehensive income		10,230	9,712

All transactions were derived from continuing operations.

The accompanying notes form part of these financial statements.

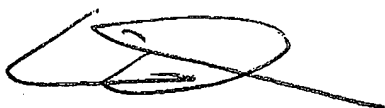
Red Gate Software Limited

Balance sheet

At 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	12	1	525
Tangible assets	13	524	706
Investments	14	7,867	7,867
		<u>8,392</u>	<u>9,098</u>
Current assets			
Debtors			
– due within one year	15	10,561	8,035
– due after one year	15	7,438	6,548
Cash at bank and in hand		33,944	30,427
		<u>51,943</u>	<u>45,010</u>
Creditors: amounts falling due within one year	16	<u>(35,422)</u>	<u>(32,096)</u>
Net current assets		<u>16,521</u>	<u>12,914</u>
Total assets less current liabilities		<u>24,913</u>	<u>22,012</u>
Creditors: amounts falling due after more than one year	17	<u>(16,534)</u>	<u>(15,307)</u>
Provisions for liabilities	18	<u>(918)</u>	<u>(882)</u>
Net assets		<u>7,461</u>	<u>5,823</u>
Capital and reserves			
Called-up share capital	20	1	1
Share premium account	20	22	22
Profit and loss account	20	7,438	5,800
Shareholders' funds		<u>7,461</u>	<u>5,823</u>

The financial statements of Red Gate Software Limited (registered number 03857576) were approved by the Board of directors and authorised for issue on 27 September 2021. They were signed on its behalf by:



Dr S Galbraith
Director

The accompanying notes form part of these financial statements.

Red Gate Software Limited

Statement of changes in equity At 31 December 2020

	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2019	1	22	6,075	6,098
Profit for the financial year	-	-	9,712	9,712
Total comprehensive income	-	-	9,712	9,712
Share-based payment transactions (note 11)	-	-	(42)	(42)
Dividends paid on equity shares (note 10)	-	-	(9,945)	(9,945)
At 31 December 2019	1	22	5,800	5,823
Profit for the financial year	-	-	10,230	10,230
Total comprehensive income	-	-	10,230	10,230
Share-based payment transactions (note 11)	-	-	(12)	(12)
Dividends paid on equity shares (note 10)	-	-	(8,580)	(8,580)
At 31 December 2020	1	22	7,438	7,461

The accompanying notes form part of these financial statements.

Red Gate Software Limited

Notes to the financial statements

For the year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Red Gate Software Limited is a private company limited by shares, incorporated in the United Kingdom (England and Wales) under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations is set out in the strategic report on pages 2 to 7.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Red Gate Software Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Amounts in the financial statements have been rounded to the nearest £1,000.

Red Gate Software Limited has taken advantage of the exemption available under Section 400 of the Companies Act 2006 from producing consolidated accounts, on the grounds that it is a wholly owned subsidiary of Red Gate Software Group Limited, a company incorporated in the United Kingdom. The Company is consolidated into the Red Gate Software Group Limited consolidated financial statements, which are publicly available at Companies House.

Red Gate Software Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it under Section 1 of FRS 102. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

b. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Company; its cash flows and liquidity position; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

As a result of the COVID-19 pandemic, it is likely that 2021's results will reflect a reduction in global demand and therefore see a drop in headline revenues, margins, and cash generation. There is therefore more uncertainty over whether the Company is a going concern. The Company has considerable financial resources, together with long-standing relationships with customers through its licence and support sales model. The Company's forecasts and projections, taking account of potential and realistic changes in trading performance, and also including worst case, severe, yet plausible downside scenarios, continue to indicate that the Company is able to operate within the level of existing cash resources. These scenarios include modelling reductions in revenue and margins based on the potential length of the ongoing pandemic, its impact on the economy, and the consequent cash outflow that could result. Nevertheless, the directors believe that the Company is well-placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook linked to COVID-19. In assessing this conclusion, the directors have considered the:

- existing level of cash resources available and net funds at 31 December 2020, and at the date of these financial statements;
- ability of the Company and its employees to continue with remote working arrangements and safe working practices for the duration of the COVID-19 pandemic;
- potential counterparty risks on trade debtors and future turnover; and
- ability of the Company to constrain significant future cash outflows, such as the payment of dividends, where necessary.

Based upon the directors' assessment of likely economic impact of COVID-19, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Red Gate Software Limited

Notes to the financial statements For the year ended 31 December 2020

1. Accounting policies (continued)

c. Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over the directors' estimate of its useful economic life, up to a maximum of 10 years. Provision is made for any impairment.

d. Other intangible assets

Purchased intangible assets are stated at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the period during which the Company is expected to benefit, as follows:

Customer lists	1 year
Website and development costs	2 to 3 years
Purchased intellectual property	2 to 3 years
Other technology and know-how	2 to 3 years

Provision is made for any impairment. Research and development expenditure is written off as incurred.

e. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold property improvements	Shorter of 4 years or the period of the lease
Plant and machinery	2 to 4 years
Computer software/hardware	2 to 3 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

f. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments, as defined in paragraph 11.9 of FRS 102, are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Red Gate Software Limited

Notes to the financial statements For the year ended 31 December 2020

1. Accounting policies (continued)

f. Financial instruments (continued)

(i) Financial assets and liabilities (continued)

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in subsidiaries are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

g. Provisions for liabilities

Provision is made to restore leasehold premises to their original condition upon vacating them where such an obligation exists under the lease.

h. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Red Gate Software Limited

Notes to the financial statements

For the year ended 31 December 2020

1. Accounting policies (continued)

i. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

j. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

License revenues are recognised when the license has been delivered to the customer and no ongoing obligations exist. Support and maintenance revenues are recognised on a straight-line basis over the life of the provision of those services. When license and support and maintenance revenues are included into one contract, the two elements are fair valued and recognised as described above.

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included within creditors.

Red Gate Software Limited

Notes to the financial statements

For the year ended 31 December 2020

1. Accounting policies (continued)

j. Turnover (continued)

The Company offers a subscription model for a non-cancellable term of between one month and five years. Subscriptions are agreements with customers to provide access to software, as well as support and maintenance. The software and support and maintenance elements are not distinct performance obligations, and represent a combined service provided to the customer. Revenue is recognised as the service is provided to the customer on a straight-line basis over the subscription period.

k. Employee benefits

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits, other than share based payment transactions, are measured at the present value of the benefit obligation at the reporting date.

l. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise.

m. Leases

The Company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

n. Share-based payments

The Company provides benefits to its key management personnel in the form of equity settled share-based payment transactions, whereby key management personnel render services in exchange for shares or rights over shares in the parent company.

Where the parent company grants rights to its equity instruments to key management personnel of the Company and the share-based payment is accounted for as equity settled, the Company records an expense for the share-based payment, with a corresponding increase in shareholders' funds as a capital contribution from the parent company.

The fair value of the key management personnel services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions, at the date of grant. All share options are valued using the Black-Scholes option pricing model. This fair value is charged as a key management personnel cost within administrative expenses over the vesting period of the share-based payment arrangement, with the corresponding increase in shareholders' funds.

Red Gate Software Limited

Notes to the financial statements

For the year ended 31 December 2020

2. Critical accounting judgements

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Critical judgement in applying accounting policy - revenue recognition

The key area of judgement in respect of recognising revenue is the timing of recognition and the fair value allocation, specifically in relation to recognition and deferral of revenue on licence, support and other contracts where management assumptions and estimates are necessary.

For instance, when products are bundled together for the purpose of sale, the associated revenue, net of any applicable discounts, is allocated between the constituent parts of the bundle on a relative fair value basis, which determines the pattern of revenue recognition. The Company has a systematic basis for allocating relative fair values in these situations, based upon published list prices. Discounts given on product bundles are allocated against the components of the invoice in proportion to their fair value.

Critical judgement in applying accounting policy - impairment of investments

The Company's investments have been assessed at the reporting date for any indicators of impairment. In doing so, management have evaluated the underlying performance of each investment and attempted to establish whether the carrying value of each investment is supported by its underlying cash flows. No impairment indicators have been noted and therefore no impairment of any investment has been recorded.

3. Turnover

An analysis of the Company's turnover by geographical market is set out below.

	2020 £000	2019 £000
United Kingdom	6,495	7,388
Rest of European Union	6,927	6,130
Rest of World	40,382	38,117
	<u>53,804</u>	<u>51,635</u>

An analysis of the Company's turnover is as follows:

	2020 £000	2019 £000
Sale of goods - license sales	18,024	20,427
Rendering of services - support sales	31,306	28,492
Rendering of services - subscription sales	4,474	2,716
	<u>53,804</u>	<u>51,635</u>

Red Gate Software Limited

Notes to the financial statements For the year ended 31 December 2020

4. Other operating income	2020 £000	2019 £000
Miscellaneous income	2	14
	<u>2</u>	<u>14</u>

5. Finance income / (expense)	2020 £000	2019 £000
Interest receivable and similar income	186	225
Interest payable and similar expenses	(40)	(15)
	<u>146</u>	<u>210</u>

6. Profit before taxation

Profit before taxation is stated after charging:

	2020 £000	2019 £000
Depreciation of tangible assets (note 13)	436	465
Amortisation of intangible assets (note 12)	520	663
Amortisation of goodwill (note 12)	4	5
Research and development	2,024	1,790
Operating lease rentals	1,004	992
Foreign exchange loss	543	474
	<u>5,531</u>	<u>5,389</u>

Impairments and reversal of impairments of investments, tangible and intangible assets, and goodwill are included in administrative expenses. Amortisation of intangible assets and goodwill are also included in administrative expenses.

The analysis of the auditor's remuneration is as follows:

Fees payable to the Company's auditor in respect of:	2020 £000	2019 £00
Audit of the Company financial statements	58	56
Total audit fees	<u>58</u>	<u>56</u>
Taxation compliance services	9	9
Other taxation advisory services	12	145
Other assurance services	-	44
Other services	-	18
Total non-audit fees	<u>21</u>	<u>216</u>
Total fees	<u>79</u>	<u>272</u>

No services were provided pursuant to contingent fee arrangements.

Red Gate Software Limited

Notes to the financial statements

For the year ended 31 December 2020

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2020 Number	2019 Number
Research and development	128	125
Sales and marketing	82	68
Administration and management	76	73
	<u>286</u>	<u>266</u>

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	16,393	14,572
Social security costs	1,670	1,521
Other pension costs (note 23)	1,602	1,383
Share-based payment credit (note 11)	(12)	(42)
	<u>19,653</u>	<u>17,434</u>

'Other pension costs' are included within administrative expenses, and represent the total amount recognised in the profit and loss account in respect of defined contribution pension schemes. The amount of unpaid contributions at the balance sheet date was £nil (2019: £nil).

Red Gate Software Limited

Notes to the financial statements

For the year ended 31 December 2020

8. Directors' remuneration and transactions

	2020 £000	2019 £000
Directors' remuneration		
Emoluments	446	425
Company contributions to money purchase pension schemes	43	40
Compensation for loss of office	96	-
Share-based payment (credit)/expense	(27)	7
Sums paid to third parties in respect of non-executive directors' services	35	56
	<u>593</u>	<u>528</u>
	2020 Number	2019 Number
The number of directors who:		
Are members of a money purchase pension scheme	3	2
Exercised options over shares in the Company	1	-
Had awards receivable in the form of shares under a long-term incentive scheme	<u>2</u>	<u>2</u>
	2020 £000	2019 £000
Remuneration of the highest paid director:		
Emoluments	214	216
Company contributions to money purchase pension schemes	24	24
	<u>238</u>	<u>240</u>

The highest paid director did not exercise any share options in the year (2019: none).

Directors' advances, credits and guarantees

There are no other transactions with directors during the current year or preceding year.

Red Gate Software Limited

Notes to the financial statements For the year ended 31 December 2020

9. Tax on profit

The tax charge comprises:

	2020 £000	2019 £000
Current tax on profit		
UK corporation tax	1,790	1,758
Adjustment in respect of previous periods: UK corporation tax	(265)	(134)
Total current tax	<u>1,525</u>	<u>1,624</u>
Deferred tax		
Origination and reversal of timing differences	(129)	(163)
Adjustment in respect of previous periods	-	1
Effect of changes in tax rates	(29)	8
Total deferred tax	<u>(158)</u>	<u>(154)</u>
Total tax on profit	<u><u>1,367</u></u>	<u><u>1,470</u></u>

The standard rate of tax applied to reported profit is 19% (2019: 19%).

There is no expiry date on timing differences, unused tax losses or tax credits.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2020 £000	2019 £000
Profit before tax	<u>11,597</u>	<u>11,181</u>
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	2,203	2,124
Effects of:		
- Expenses not deductible	22	22
- Income not taxable	(2)	(8)
- Fixed asset and short-term timing differences	(1)	(8)
- Effects of group relief / other reliefs	-	(6)
- Adjustment from previous periods	(265)	(133)
- Tax rate changes	(29)	8
- Effect of R&D relief	(500)	(442)
- Other deferred tax	(61)	(87)
Total tax charge for year	<u><u>1,367</u></u>	<u><u>1,470</u></u>

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019 - 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the Company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax credit of £0.1m.

Red Gate Software Limited

Notes to the financial statements For the year ended 31 December 2020

10. Dividends on equity shares

	2020 £000	2019 £000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2020 of £73.48 (2019: £85.18) per ordinary share	8,580	9,945

11. Share-based payments

The parent company (note 25) operates an equity settled share-based payment scheme, whereby key management personnel of the Company render services in exchange for shares or rights over shares in the parent company. Under the scheme, share options have been granted to key management personnel of the Company. The options vest in equal instalments across the vesting period, no longer than 4 to 5 years from the date of grant.

Details of share options activity during the year are as follows:

	2020		2019	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	51,131	£11.30	73,173	£11.30
Exercised during the year	(4,775)	£11.30	(7,897)	£11.30
Lapsed during the year	(2,572)	£11.30	(14,145)	£11.30
Outstanding at the end of the year	43,784	£11.30	51,131	£11.30
Exercisable at the end of the year	43,784	£11.30	51,131	£11.30

The Company recognises and measures its allocation of the share-based payment expense on a pro-rata basis. The total release for the year relating to Company key management personnel share-based payments was £11,861 (2019: £41,661), all of which related to the parent company's equity settled share-based payment transactions.

The fair value of share options at grant date was calculated using the Black Scholes model, which is considered by management to be the most appropriate generally accepted valuation method of measuring fair value. The inputs in to the model and assumptions used were as follows:

	2017
Exercise price	£11.30
Expected option life (years)	10
Expected volatility	30%
Risk-free interest rate	1.2%
Expected dividends expressed as a dividend yield	0%
Fair value per option	£4.56

Expected volatility is based on management's assessment of the average rate by which the share price will move over the period of the estimated lives of the options. The expected life used in the model has been adjusted for the effects of non-transferability, exercise restrictions and behavioural considerations. The risk-free rate of return is based on the average yield of a 10-year Bank of England bond rate.

Red Gate Software Limited

Notes to the financial statements

For the year ended 31 December 2020

12. Intangible assets

	Customer lists £000	Website and development costs £000	Purchased intellectual property £000	Other technology and know- how £000	Goodwill £000	Total £000
Cost						
At 1 January 2020 and 31 December 2020	139	1,607	2,964	84	15	4,809
Amortisation						
At 1 January 2020	139	1,542	2,528	64	11	4,284
Charge for the year	-	65	435	20	4	524
At 31 December 2020	139	1,607	2,963	84	15	4,808
Net book value						
At 31 December 2020	-	-	1	-	-	1
At 31 December 2019	-	65	436	20	4	525

13. Tangible assets

	Leasehold property improvements £000	Plant and machinery £000	Computer software and hardware £000	Total £000
Cost				
At 1 January 2020	396	1,712	2,909	5,017
Additions	66	15	174	255
At 31 December 2020	462	1,727	3,083	5,272
Depreciation				
At 1 January 2020	396	1,593	2,322	4,311
Charge for the year	4	78	355	437
At 31 December 2020	400	1,671	2,677	4,748
Net book value				
At 31 December 2020	62	56	406	524
At 31 December 2019	-	119	587	706

Red Gate Software Limited

Notes to the financial statements For the year ended 31 December 2020

14. Fixed asset investments

	2020 £000	2019 £000
Subsidiary undertakings	7,867	7,867

Investments

At 31 December 2020 the Company had investments in the following subsidiary undertakings:

Company name	Country of incorporation	Principal activity	Holding	%
Red Gate Software Incorporated	US	Customer & sales support	Ordinary shares	100
Red Gate Software Pty Limited	Australia	Customer & sales support	Ordinary shares	100
Red Gate Software GmbH	Germany	Customer & sales support	Ordinary shares	100
Boxfuse GmbH +	Germany	Software development & sales	Ordinary shares	100

The registered office address of Red Gate Software Incorporated is 144 W Colorado Blvd #200, Pasadena, CA 91105.

The registered office address of Red Gate Software Pty Ltd is Winton Street, Warrawee, NSW 2074.

The registered office address of Red Gate Software GmbH and Boxfuse GmbH is Tauentzienstraße 13, 10789 Berlin.

+ Held directly by Red Gate Software GmbH

Subsidiary undertakings

	£000
Cost	
At 1 January 2020 and 31 December 2020	7,867
Provisions for impairment	
At 1 January 2020 and 31 December 2020	-
Carrying value	
At 31 December 2020	7,867
At 31 December 2019	7,867

Red Gate Software Limited

Notes to the financial statements

For the year ended 31 December 2020

15. Debtors

	2020 £000	2019 £000
Amounts falling due within one year:		
Trade debtors	8,589	6,180
Amounts owed by Group undertakings	-	7
Corporation tax	455	431
Other debtors	224	187
Prepayments	1,293	1,230
	<u>10,561</u>	<u>8,035</u>
Amounts falling due after more than one year:		
Trade debtors	2,009	1,250
Amounts owed by Group undertakings	5,086	5,052
Deferred tax asset (note 18)	343	246
	<u>7,438</u>	<u>6,548</u>
	<u>17,999</u>	<u>14,583</u>

Amounts owed by Group undertakings falling due after more than one year relate to a loan receivable from Red Gate Software Group Limited. The loan shall be repaid at a date to be agreed by the parties and bears interest at 0.5% above the Barclays Bank Plc base rate.

16. Creditors – amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	458	291
Amounts owed to Group undertakings	2,991	3,347
Other taxation and social security	1,912	1,861
Other creditors	43	55
Accruals	1,857	1,513
Deferred income	28,161	25,029
	<u>35,422</u>	<u>32,096</u>

Amounts owed to Group undertakings are interest free and repayable on demand, which is expected to be within the next 12 months.

17. Creditors – amounts falling due after more than one year

	2020 £000	2019 £000
Amounts owed to Group undertakings	-	702
Deferred income	16,534	14,605
	<u>16,534</u>	<u>15,307</u>

Amounts owed to Group undertakings in the previous year were interest free and repaid in 2021.

Red Gate Software Limited

Notes to the financial statements For the year ended 31 December 2020

18. Provisions for liabilities

	Deferred tax (a) £000	Property (b) £000	Total £000
At 1 January 2020	61	821	882
Charged to profit and loss account	-	97	97
Released to profit and loss account	(61)	-	(61)
At 31 December 2020	-	918	918

a. Deferred tax

Deferred tax assets / (liabilities) included in the Company balance sheet are as follows:

	2020 £000	2019 £000
Included in debtors due after more than one year (note 15)	343	246
Included in provisions for liabilities	-	(61)
	<u>343</u>	<u>185</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority.

	£000
Deferred tax	
At 1 January 2020	185
Released to profit and loss account	158
At 31 December 2020	<u>343</u>

Deferred tax is provided as follows:

	2020 £000	2019 £000
Accelerated capital allowances	339	233
Other timing differences	4	13
Intangible assets	-	(61)
	<u>343</u>	<u>185</u>

b. Property

Property provisions relate to dilapidation obligations on leasehold property over the term of the lease.

19. Financial instruments

The Company has taken advantage of the disclosure exemption available to qualifying entities under Section 1 of FRS 102 with regard to financial instruments disclosures. Equivalent disclosures are included in the Red Gate Software Group Limited consolidated financial statements, which include Red Gate Software Limited.

Red Gate Software Limited

Notes to the financial statements For the year ended 31 December 2020

20. Called-up share capital and reserves

	2020 £000	2019 £000
Allotted, called-up and fully-paid 116,760 (2019: 116,760) ordinary shares of £0.01 each	<u>1</u>	<u>1</u>

The Company has one class of ordinary share, which carries no right to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

21. Restrictions on cash and cash equivalents

At 31 December 2020, total cash and cash equivalents included cash amounting to £0.25m (2019: £0.50m) was restricted as collateral for operational credit risk.

22. Financial commitments

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

	2020 £000	2019 £000
- within one year	1,060	1,062
- between one and five years	4,208	4,215
- over five years	1,666	2,718
	<u>6,934</u>	<u>7,995</u>

All operating leases relate to land and buildings and there are no other operating leases.

23. Employee benefits

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme which is open to all employees. The total expense charged to profit or loss in the year ended 31 December 2020 was £1.6m (2019: £1.4m).

24. Related party transactions

Directors' transactions

There have been no transactions (2019: no transactions) with directors other than emoluments earned through the ordinary course of employment.

Other related party transactions

During the year the Company made purchases in the ordinary course of business from Lead Eagle Limited, a company S Brown controls, at a cost of £35,033 (2019: £36,066). The amount outstanding at the balance sheet date was £3,450 (2019: £3,560).

During the year the Company made purchases in the ordinary course of business from Gearset Limited, a company Dr S Galbraith controls, at a cost of £9,791 (2019: £10,157). The amount outstanding at the balance sheet date was £nil (2019: £nil).

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Notes to the financial statements

For the year ended 31 December 2020

24. Related party transactions (continued)

All the above related party transactions relate to trading balances on standard terms and conditions, are unsecured, are settled in cash, and made without guarantees given or received.

Under section 33 of FRS 102, the Company is not required to disclose transactions entered into between two or more members of the Red Gate Software Group Limited Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company has taken advantage of the disclosure exemption available to qualifying entities under Section 1 of FRS 102 from disclosing key management personnel compensation.

25. Parent company and ultimate controlling party

The immediate and ultimate parent company of Red Gate Software Limited is Red Gate Software Group Limited, a company registered in England and Wales. Red Gate Software Group Limited is the parent company of the largest and smallest group for which the Company is a member, and for which consolidated financial statements are prepared. The registered office address of Red Gate Software Group Limited is Newnham House, Cambridge Business Park, Cambridge, CB4 0WZ. Copies of the consolidated financial statements of Red Gate Software Group Limited can be obtained from Companies House.

Dr S Galbraith, a director of the Company, ultimately controls the Company, as a result of controlling more than 50% of the issued share capital of Red Gate Software Group Limited, as at the balance sheet date.