Registered Number: 05922974

VNC GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

VNC GROUP LIMITED

COMPANY INFORMATION

Directors	Dr A C Harter A Hopper T J Richardson (resigned 21 January 2019) A Greenwood-Byrne (appointed 21 January 2019)
Company secretary	T McGuire
Registered number	05822974
Registered office	Betjeman House 104 Hills Road Cambridge Cambridgeshire CB2 1LQ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY

VNC GROUP LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their strategic report for the year ended 31 December 2018.

Principal activities and review of the business

The Group's principal activities during the year continued to be development, licensing, support and sales of remote access software and solutions for desktop, mobile and embedded platforms.

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

	2018	*2017*
	£000	*£000*
Turnover	6,964	*7,457*
Profit/(loss) on ordinary activities before taxation	2,094	*(2,130)*
Profit/(loss) for the financial year	2,743	*(969)*
Shareholders' funds	298	*6,972*
Cash reserves	4,262	*6,635*

2018 saw a significant strategic decision to dispose of the VNC Automotive business. This business has been a long-term project for the company, which has enjoyed some commercial success. At the beginning of 2018 it had become apparent to the directors that the commercial, operational and strategic needs of core business and the VNC Automotive business were divergent. In order to allow both activities to flourish, the VNC Automotive business was wholly disposed of in its entirety, for a consideration of £4,750,000. This was concluded on 16 July 2018 following a planned and orderly process, which in the directors opinion represented an acceptable return on investment in the VNC Automotive business.

Subsequent to the disposal and noting that the company had assets of over £15m including some £13m of cash, on 20 July 2018 the directors were pleased to return shareholder value by declaring an interim dividend of £16 per share, amounting to £9,415,968.

Principal risks and uncertainties

Exposure to credit and liquidity risk.

The company's cost base is predominately people related given the nature of the business. Therefore risk revolves around general salary inflation and the availability of suitably qualified staff. The company's revenue is generated internationally, which exposes the company to general global economic uncertainties and exchange rate fluctuations.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses through strong credit control and require that credit is only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in Note 16 to the financial statements.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and maintaining a significant level of cash reserves.

This report was approved by the board on 30/9/19 and signed on its behalf.

A. C. Harter

Dr A C Harter
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors

The directors who served during the year were:

Dr A C Harter
A Hopper
T J Richardson (resigned 21 January 2019)

Results and dividends

The profit for the year, after taxation, amounted to £2,742,549 *(2017 - loss £968,688)*.

The profit for the year includes a gain on disposal of £3,148,992 from the sale of the automotive division.

An interim dividend of £9,415,968 was paid out in 2018 *(2017: £Nil)*. No final dividend is proposed *(2017: £Nil)*.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Research and development

The Group continued to invest significantly in R&D for specific new strategic product areas and capabilities, including continued innovation in security, audio & video compression/transmission. This is expected to continue on an ongoing basis as the company updates, develops and extends its products and applications for new markets, platforms and use cases. The Group continues to be the only UK company that the directors are aware of that develops and commercialises remote access software and services.

Going concern

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to credit and liquidity risks are described in the Strategic report on page 1.

Whilst increasing its focus on recurring revenue streams from a diverse customer base, the company continues to generate significant amounts of cash reserves. The directors have completed a review of the continuing operations and have made investments to strengthen the business. The directors are confident that the company has sufficient cash resources to invest in and grow the business for the foreseeable future.

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

Post balance sheet events

There have been no significant events affecting the company since the year end.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

Auditor

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

This report was approved by the board on 30/9/19 and signed on its behalf.

A. C. Harter

Dr A C Harter
Director

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VNC GROUP LIMITED

Opinion

We have audited the financial statements of VNC Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Consolidated statement of comprehensive income, the Consolidated and company statements of financial position, the Consolidated statement of cash flows, the Consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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 Group strategic report or the Directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Grant Thornton

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 2, 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.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Alison Seekings MA FCA CTA
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
Date: 30 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		Continuing operations 2018 £	**Discontinued operations 2018 £**	**Total 2018 £**	*Continuing operations restated 2017 £*	*Discontinued operations 2017 £*	*Total 2017 £*
Turnover	4	**4,484,579**	**2,479,745**	**6,964,324**	*2,877,726*	*4,579,368*	*7,457,094*
Cost of sales		**(64,106)**	**(4,990)**	**(69,096)**	*(53,572)*	-	*(53,572)*
Gross profit		4,420,473	2,474,755	6,895,228	*2,824,154*	4,579,368	*7,403,522*
Administrative expenses		**(6,847,440)**	**(1,262,596)**	**(8,110,036)**	*(7,090,243)*	*(2,485,998)*	*(9,576,241)*
Other operating income	5	**116,500**	-	**116,500**	-	-	-
Operating loss	6	**(2,310,467)**	**1,212,159**	**(1,098,308)**	*(4,266,089)*	2,093,370	*(2,172,719)*
Interest receivable and similar income	10	**43,656**	-	**43,656**	*42,221*	-	*42,221*
Profit on disposal		-	**3,148,992**	**3,148,992**	-	-	-
Profit/(loss) before tax		**(2,266,811)**	**4,361,151**	**2,094,340**	*(4,223,868)*	2,093,370	*(2,130,498)*
Tax on profit/(loss)	11	**648,209**	-	**648,209**	*1,496,899*	*(335,089)*	*1,161,810*
Profit/(loss) for the financial year		**(1,618,602)**	**4,361,151**	**2,742,549**	*(2,726,969)*	1,758,281	*(968,688)*

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income. There was no other comprehensive income for 2018 (*2017: £Nil*). The notes on pages 13 to 30 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	13		126,443		25,189
Tangible assets	14		172,525		142,371
			298,968		167,560
Current assets					
Debtors: amounts falling due within one year	16	2,029,684		5,010,425	
Cash at bank and in hand	17	4,261,660		6,634,579	
		6,291,344		11,645,004	
Creditors: amounts falling due within one year	18	(4,549,268)		(3,537,228)	
Net current assets			1,742,076		8,107,776
Total assets less current liabilities			2,041,044		8,275,336
Creditors: amounts falling due after more than one year	19		(1,742,605)		(1,303,478)
Net assets			298,439		6,971,858
Capital and reserves					
Called up share capital	21		5,885		5,885
Share premium account	22		58,620		58,620
Profit and loss account	22		233,934		6,907,353
			298,439		6,971,858

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30/9/19

A. C. Harter

Dr A C Harter
Director

The notes on pages 13 to 30 form part of these financial statements.

VNC GROUP LIMITED
REGISTERED NUMBER:05822974

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	15	**5,334**	*5,334*
Current assets			
Debtors: amounts falling due within one year	16	**59,171**	*56,521*
Net assets		**64,505**	*61,855*
Capital and reserves			
Called up share capital	21	**5,885**	*5,885*
Share premium account	22	**58,620**	*58,620*
Profit and loss account		**-**	*(2,650)*
		64,505	*61,855*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30/9/19

A. C. Harter

Dr A C Harter
Director

The notes on pages 13 to 30 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	5,885	58,620	6,907,353	6,971,858
Comprehensive income for the year				
Profit for the year	-	-	2,742,549	2,742,549
Total comprehensive income for the year	-	-	2,742,549	2,742,549
Dividends	-	-	(9,415,968)	(9,415,968)
Total transactions with owners	-	-	(9,415,968)	(9,415,968)
At 31 December 2018	5,885	58,620	233,934	298,439

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	5,885	58,620	7,876,041	7,940,546
Comprehensive income for the year				
Loss for the year	-	-	(968,688)	(968,688)
Total comprehensive income for the year	-	-	(968,688)	(968,688)
Total transactions with owners	-	-	-	-
At 31 December 2017	5,885	58,620	6,907,353	6,971,858

The notes on pages 13 to 30 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	5,885	58,620	(2,650)	61,855
Comprehensive income for the year				
Profit for the year	-	-	9,418,618	9,418,618
Total comprehensive income for the year	-	-	9,418,618	9,418,618
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(9,415,968)	(9,415,968)
At 31 December 2018	5,885	58,620	-	64,505

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	5,885	58,620	(2,650)	61,855
Total comprehensive income for the year	-	-	-	-
At 31 December 2017	5,885	58,620	(2,650)	61,855

The notes on pages 13 to 30 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit/(loss) for the financial year	2,742,549	(968,688)
Adjustments for:		
Amortisation of intangible assets	13,561	25,595
Depreciation of tangible assets	59,176	67,366
Impairments of fixed assets	-	853,486
Loss on disposal of tangible assets	401	-
Finance income	(43,656)	(42,221)
Taxation charge	(648,209)	(1,161,810)
Decrease/(increase) in debtors	2,129,430	(548,844)
Increase in creditors	2,030,406	2,819,626
Profit on disposal	(3,148,992)	-
Corporation tax (paid) received	(56,263)	1,161,810
Net cash generated from operating activities	3,078,403	2,206,320
Cash flows from investing activities		
Purchase of intangible fixed assets	(114,815)	(9,701)
Purchase of tangible fixed assets	(117,320)	(75,658)
Costs of disposal	(438,110)	-
Interest receivable and similar income	43,656	42,221
Cash inflow from disposal	4,591,235	-
Net cash from investing activities	3,964,646	(43,138)
Cash flows from financing activities		
Dividends paid	(9,415,968)	-
Net cash used in financing activities	(9,415,968)	-
Net (decrease)/increase in cash and cash equivalents	(2,372,919)	2,163,182
Cash and cash equivalents at beginning of year	6,634,579	4,471,397
Cash and cash equivalents at the end of year	4,261,660	6,634,579
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,261,660	6,634,579

The notes on pages 13 to 30 form part of these financial statements.

1. General information

VNC Group Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Betjeman House, 104 Hills Road, Cambridge, Cambridgeshire, CB2 1LQ.

The operations and activities of the group and company are described in the strategic report on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The Consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2. Accounting policies (continued)

2.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to credit and liquidity risks are described in the Strategic Report on pages 1.

Whilst increasing its focus on recurring revenue streams from a diverse customer base, the company continues to generate significant amounts of cash reserves which together with the proceeds from the sale of the automotive business division has financed the dividend payment in the year. The directors have completed a review of the continuing operations and have made investments to strengthen the business. The directors are confident that the company has sufficient cash resources to invest in and grow the business for the foreseeable future.

Based on the cash reserves retained and forecasts prepared, the directors have a reasonable expectation that the Group and company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2.4 Revenue

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

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

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

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

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

2. Accounting policies (continued)

2.5 Intangible assets

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

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

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

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

Web site domain	5 years
Software	2 - 3 years
Education Product Development Costs	2 - 3 years

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

2.6 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold improvements	4 years
Plant and machinery	3 - 5 years
Office and computer equipment	4 years

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

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

2. Accounting policies (continued)

2.7 Impairment of fixed assets and goodwill

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

2.8 Debtors

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

2.9 Cash and cash equivalents

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

2.10 Financial instruments

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

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

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

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

2. Accounting policies (continued)

2.10 Financial instruments (continued)

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

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

2.11 Creditors

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

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

2.13 Finance costs

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

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2. Accounting policies (continued)

2.15 Operating leases: the Group as lessee

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

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

2.16 Pensions

Defined contribution pension plan

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

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

2.17 Interest income

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

2.18 Taxation

Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Accounting policies (continued)

2.19 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish software development assets that directly result in additional functionality which will generate future economic value, the expenditure is expensed in full.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the 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. The following judgement (apart from those involving estimates) has had the most significant effect on amounts recognised in the financial statements:

Deferred tax

The group has trading losses carried forward for which no deferred tax is recognised. The directors have assessed the recovery of tax losses on the basis of ongoing trading expectations. The recognition of a deferred tax asset would impact the future tax charge reported in the Consolidated statement of comprehensive income.

4. Turnover

	Group 2018 £	*Group 2017 £*
An analysis of turnover by class of business is as follows:		
Licenses and subscriptions	**3,869,670**	*2,460,573*
Support and maintenance fees	**933,221**	*1,096,854*
Royalty fees	**1,976,694**	*3,628,507*
Service fees	**184,739**	*271,160*
	6,964,324	*7,457,094*

	Group 2018 £	*Group 2017 £*
Analysis of turnover by country of destinations:		
United Kingdom	**421,135**	*96,403*
Europe	**1,519,589**	*3,580,932*
Rest of world	**5,023,600**	*3,779,759*
	6,964,324	*7,457,094*

5. Other operating income

	2018 £	2017 £
Management services (note 23)	116,500	-
	116,500	-

6. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Operating lease rentals - land and buildings	213,437	219,238
Depreciation of tangible fixed assets	59,176	67,366
Amortisation of intangible assets, including goodwill	13,561	25,595
Impairment of intangible assets	-	853,486
Exchange differences	(264,054)	142,744

7. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	26,000	16,000

Fees payable to the Group's auditor and its associates in respect of:

	2018 £	2017 £
Taxation compliance services	5,000	7,200
Tax advisory	1,500	10,000
	6,500	17,200

8. Employees

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

	Group 2018 £	Group 2017 £
Wages and salaries	4,981,152	5,046,138
Social security costs	593,922	581,325
Cost of defined contribution scheme	184,072	181,208
	5,759,146	5,808,671

8. Employees (continued)

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

	2018 No	*2017 No*
Research and development	68	*71*
Administrative	23	*24*
	91	*95*

20 employees left the business as part of the disposal of the automotive division.

The company has no employees other than the directors, who did not receive any remuneration (2017: £Nil).

Aggregate key management personnel remuneration was £337,034 (2017: £387,737).

9. Directors' remuneration

	2018 £	*2017 £*
Directors' emoluments	294,829	*303,966*
Company contributions to defined contribution pension schemes	5,400	*10,250*
	300,229	*314,216*

During the year retirement benefits were accruing to one director (*2017 - 2*) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £181,249 (*2017 - £189,554*).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (*2017 - £5,000*).

10. Interest receivable

	2018 £	*2017 £*
Interest receivable	43,656	*42,221*

11. Taxation

	2018	*2017*
	£	*£*
Corporation tax		
Research and development tax credit claims	(704,472)	*(1,198,107)*
	(704,472)	*(1,198,107)*
Foreign tax		
Foreign tax on income for the year	56,263	*36,297*
Total current tax	(648,209)	*(1,161,810)*
Deferred tax		
	-	*-*
Taxation on profit/(loss) on ordinary activities	(648,209)	*(1,161,810)*

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 - 19.25%)*. The differences are explained below:

	2018 £	*2017 £*
Profit/(loss) on ordinary activities before tax	**2,094,340**	*(2,130,498)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**397,925**	*(410,121)*
Effects of:		
Expenses not deductible	**47,906**	*3,081*
Deferred tax not provided	**(436,008)**	*1,324,343*
Adjustments to tax charge in respect of prior periods	**(704,472)**	*(1,198,107)*
Foreign tax charge	**56,263**	*36,297*
Additional tax deductions	**(9,823)**	*(917,303)*
Total tax charge for the year	**(648,209)**	*(1,161,810)*

Factors that may affect future tax charges

A reduction in the corporation tax rate to 17% applies from 1 April 2020.

The above changes to the rate of corporation tax will affect the amount of future cash tax payments to be made by the group.

12. Dividends

	2018 £	*2017 £*
Interim dividend paid	**9,415,968**	-
	9,415,968	-

13. Intangible assets

Group

	Education product development £	Domain name £	Software £	Total £
Cost				
At 1 January 2018	1,706,972	19,966	61,209	1,788,147
Additions	-	-	114,815	114,815
Disposals	(1,706,972)	-	(12,375)	(1,719,347)
At 31 December 2018	-	19,966	163,649	183,615
Amortisation				
At 1 January 2018	1,706,972	10,912	45,074	1,762,958
Charge for the year	-	3,843	9,718	13,561
On disposals	(1,706,972)	-	(12,375)	(1,719,347)
At 31 December 2018	-	14,755	42,417	57,172
Net book value				
At 31 December 2018	-	5,211	121,232	126,443
At 31 December 2017	*-*	*9,054*	*16,135*	*25,189*

Amortisation of intangible fixed assets is included in administrative expenses.

The parent undertaking held no intangible fixed assets in the year (*2017: £Nil*).

14. Tangible fixed assets

Group

	Leasehold improvements £	Plant and machinery £	Office and computer equipment £	Total £
Cost				
At 1 January 2018	-	10,156	849,438	859,594
Additions	50,468	-	66,852	117,320
Disposals	-	(10,156)	(38,450)	(48,606)
At 31 December 2018	50,468	-	877,840	928,308
Depreciation				
At 1 January 2018	-	10,156	707,067	717,223
Charge for the year on owned assets	3,218	-	55,958	59,176
Disposals	-	(10,156)	(10,460)	(20,616)
At 31 December 2018	3,218	-	752,565	755,783
Net book value				
At 31 December 2018	47,250	-	125,275	172,525
At 31 December 2017	*-*	*-*	*142,371*	*142,371*

The parent undertaking held no tangible fixed assets in the year (*2017: £Nil*).

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	5,334
At 31 December 2018	5,334

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Principal activity	Holding
VNC Limited	Ordinary	Dormant	100%
RealVNC Limited	Ordinary	Software publishing and research	100%
Deskhop Limited	Ordinary	Dormant	100%

16. Debtors

	Group 2018 £	*Group 2017 £*	Company 2018 £	*Company 2017 £*
Trade debtors	**769,719**	*1,201,083*	-	-
Amounts owed by group undertakings	-	-	**59,171**	*56,521*
Other debtors	**774,939**	*2,271,385*	-	-
Prepayments and accrued income	**485,026**	*1,537,957*	-	-
	2,029,684	*5,010,425*	**59,171**	*56,521*

17. Cash and cash equivalents

	Group 2018 £	*Group 2017 £*
Cash at bank and in hand	**4,261,660**	*6,634,579*

18. Creditors: Amounts falling due within one year

	Group 2018 £	*Group 2017 £*
Trade creditors	**162,282**	*375,459*
Other taxation and social security	**154,854**	*156,273*
Other creditors	**3,752**	*9,875*
Accruals	**449,993**	*550,423*
Deferred income	**3,778,387**	*2,445,198*
	4,549,268	*3,537,228*

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

	Group 2018 £	*Group 2017 £*
Deferred income	1,742,605	*1,303,478*

The allocation of deferred income between amounts falling due within one year and after more than one year has been restated for 2017. The adjustment has no impact on reported profit or loss.

20. Financial instruments

	Group 2018 £	*Group 2017 £*
Financial assets		
Financial assets that are debt instruments measured at amortised cost	5,031,379	*8,835,662*
Financial liabilities		
Financial liabilities measured at amortised cost	(616,027)	*(935,758)*

Financial assets that are debt instruments measured at amortised cost comprise cash and trade debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

21. Share capital

	2018 £	*2017 £*
Allotted, called up and fully paid		
588,498 *(2017 - 588,498)* Ordinary shares of £0.01 each	5,885	*5,885*

22. Reserves

Share premium account

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

Profit and loss account

Includes all current and prior period retained profits and losses.

23. Discontinued operations

On 16 July 2018 RealVNC Limited disposed of its automotive business division for a consideration of £4.75 million, less a working capital adjustment of £158,765.

		£
Cash proceeds		4,591,235
		4,591,235
Net assets disposed of:		
Tangible fixed assets	(27,589)	
Debtors	(1,555,781)	
Creditors	579,237	
		1,004,133
Transaction related costs		438,110
Profit on disposal before tax		(3,148,992)

The net inflow of cash in respect of the sale of VNC Automotive is as follows:

	£
Cash consideration	4,591,235
Net inflow of cash	4,591,235

Subsequent to the disposal, management services were provided on a transitional basis to the automotive business. Other operating income of £116,500 has been recognised in respect of these services.

24. Commitments under operating leases

At 31 December 2018 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	*Group 2017 £*
Within one year	**209,148**	*167,241*
Between one and five years	**798,482**	*1,524*
	1,007,630	*168,765*

25. Related party transactions

Dividend payments in the year included sums paid to directors in their capacity as shareholders of £5,390,272 (*2017: £Nil*).