Registered number: 05822974

VNC GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present their strategic report for the year ended 31 December 2019.

Principal activities and review of the business

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

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

In £ million	**2019**	*2018 (without VNC Automotive)*
Turnover	**6.9**	*4.5*
Cash reserves	**3.6**	*4.3*
Annual recurring revenues (ARR)	**7.2**	*5.2*

Following the disposal of the VNC Automotive business in 2018, the Group continues to deliver high-quality software solutions at a compelling price point through a multi-channel strategy, as well as further developing the OEM licensing business, strategic partnerships and collaborations. This refocus resulted in a reduction of headcount in the first half of 2019, while continuing to grow turnover by nearly 50% and annual recurring revenues more than 25%. Cash reserves are strong.

Principal risks and uncertainties

Group's employees are its biggest asset, hence the availability of suitably qualified staff is important. The Group's cost base is predominantly people-related, hence an additional risk revolves around general salary inflation.

The Group's biggest exposure comes from FX volatility, with a large percentage of its revenue being conducted in USD and EUR, while the cost base is predominantly in GBP.

The general global economic uncertainties also lead to an increased liquidity risk - the risk that some customers will have difficulty in meeting obligations associated with financial liabilities. The Group has a diverse customer base and is mitigating these credit risks through tight liquidity management and maintaining a significant level of cash reserves.

This report was approved by the board on 30/9/2020 and signed on its behalf.

Andy Harter

Dr A C Harter
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year, after taxation, amounted to £622,638 *(2018: profit £2,742,549)*.

Dividends have not been paid and are not proposed *(2018: 9,415,968)*.

Directors

The directors who served during the year were:

Dr A C Harter
A Hopper
T J Richardson (resigned 21 January 2019)
A Greenwood-Byrne (appointed 21 January 2019)

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 and profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 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 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 compression/transmission and cloud connection establishment techniques. This is expected to continue on an ongoing basis as the Group 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, including continued innovation in security, audio & video.

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 price, credit and liquidity risks are described in the Strategic Report.

Lockdowns in the major parts of the world have increased demand for remote working solutions in the beginning of 2020, resulting in extraordinary ARR and revenue growth so far. The directors envisage a further increase in demand for remote working subscriptions for the rest of the year.

Ongoing focus on sales and marketing efficiency, including better engagement with our channel resale partners, will result in further expansion of the recurring business, while careful cost management is in place. EBITDA break even has been achieved and cash break even is expected in the second half of the year.

Levels of cash remain strong, and the directors have a reasonable expectation that the Group has 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

As noted above, the impact from the measures in place to mitigate the spread of the COVID-19 virus is having a significant impact on the global economy, increasing remote working. There have been no other significant events affecting the Group since the year end.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company 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 30/9/2020 and signed on its behalf.

Andy 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 2019, 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 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group associated with these particular events.

GrantThornton

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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 absence of reference to a material uncertainty in this Auditor's report is not a guarantee that the Group and the parent company will continue in operation.

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.

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

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 Group 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 Group 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.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out 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.

Grant Thornton

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

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: 30/9/2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Continuing operations 2019 £	Discontinued operations 2019 £	Total 2019 £	*Continuing operations 2018 £*	*Discontinued operations 2018 £*	*Total 2018 £*
Turnover	4	**6,894,387**	-	**6,894,387**	*4,484,579*	*2,479,745*	*6,964,324*
Cost of sales		**(100,108)**	-	**(100,108)**	*(64,106)*	*(4,990)*	*(69,096)*
Gross profit		**6,794,279**	-	**6,794,279**	*4,420,473*	**2,474,755**	*6,895,228*
Administrative expenses		**(7,455,688)**	-	**(7,455,688)**	*(6,847,440)*	*(1,262,596)*	*(8,110,036)*
Other operating income		**21,707**	-	**21,707**	*116,500*	-	*116,500*
Operating loss	6	**(639,702)**	-	**(639,702)**	*(2,310,467)*	**1,212,159**	*(1,098,308)*
Interest receivable and similar income	10	**15,038**	-	**15,038**	*43,656*	-	*43,656*
Interest payable and expenses	11	**(2,220)**	-	**(2,220)**	-	-	-
Profit on disposal	12	-	-	-	-	*3,148,992*	*3,148,992*
(Loss)/profit before taxation		**(626,884)**	-	**(626,884)**	*(2,266,811)*	**4,361,151**	*2,094,340*
Tax on (loss)/profit	13	**4,246**	-	**4,246**	*648,209*	-	*648,209*
(Loss)/profit for the financial year		**(622,638)**	-	**(622,638)**	*(1,618,602)*	**4,361,151**	*2,742,549*

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2019 *(2018: £Nil).*

The notes on pages 16 to 34 form part of these financial statements.

VNC GROUP LIMITED
REGISTERED NUMBER:05822974

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note		2019 £		*2018 £*
Fixed assets					
Intangible assets	15		**111,743**		*126,443*
Tangible assets	16		**126,101**		*172,525*
			237,844		*298,968*
Current assets					
Debtors: amounts falling due within one year	18	**1,945,997**		*2,029,684*	
Cash at bank and in hand	19	**3,550,320**		*4,261,660*	
		5,496,317		*6,291,344*	
Creditors: amounts falling due within one year	20	**(5,322,474)**		*(4,549,268)*	
Net current assets			**173,843**		*1,742,076*
Total assets less current liabilities			**411,687**		*2,041,044*
Creditors: amounts falling due after more than one year	21		**(735,886)**		*(1,742,605)*
Net (liabilities)/assets			**(324,199)**		*298,439*
Capital and reserves					
Called up share capital	23		**5,885**		*5,885*
Share premium account	24		**58,620**		*58,620*
Profit and loss account	24		**(388,704)**		*233,934*
			(324,199)		*298,439*

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

Andy Harter 30/9/2020

Dr A C Harter
Director

The notes on pages 16 to 34 form part of these financial statements.

VNC GROUP LIMITED
REGISTERED NUMBER:05822974

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Investments	17		**5,334**		*5,334*
Current assets					
Debtors: amounts falling due within one year	18	**59,171**		*59,171*	
Total assets less current liabilities			**64,505**		*64,505*
Net assets			**64,505**		*64,505*
Capital and reserves					
Called up share capital	23		**5,885**		*5,885*
Share premium account	24		**58,620**		*58,620*
Profit and loss account brought forward		-		*(2,650)*	
Profit for the year		-		*9,418,618*	
Other changes in the profit and loss account		-		*(9,415,968)*	
			64,505		*64,505*

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

Andy Harter 30/9/2020

Dr A C Harter
Director

The notes on pages 16 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	5,885	58,620	233,934	298,439
Comprehensive income for the year				
Loss for the year	-	-	(622,638)	(622,638)
Total comprehensive income for the year	-	-	(622,638)	(622,638)
Total transactions with owners	-	-	-	-
At 31 December 2019	5,885	58,620	(388,704)	(324,199)

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: Equity capital	-	-	(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

The notes on pages 16 to 34 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Total equity
	£	£	£
At 1 January 2019	5,885	58,620	64,505
Total comprehensive income for the year	-	-	-
At 31 December 2019	5,885	58,620	64,505

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

The notes on pages 16 to 34 form part of these financial statements.

VNC GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	*2018 £*
Cash flows from operating activities		
(Loss)/profit for the financial year	**(622,638)**	*2,742,549*
Adjustments for:		
Amortisation of intangible assets	**58,928**	*13,561*
Depreciation of tangible assets	**72,055**	*59,176*
Loss on disposal of tangible assets	**2,794**	*401*
Interest paid	**2,220**	*-*
Finance income	**(15,038)**	*(43,656)*
Taxation charge	**(4,246)**	*(648,209)*
Decrease in debtors	**87,933**	*2,129,430*
(Decrease)/increase in creditors	**(233,513)**	*2,030,406*
Profit on disposal	**-**	*(3,148,992)*
Corporation tax received/(paid)	**-**	*(56,263)*
Net cash generated from operating activities	**(651,505)**	*3,078,403*
Cash flows from investing activities		
Purchase of intangible fixed assets	**(47,825)**	*(114,815)*
Sale of intangible assets	**3,597**	*-*
Purchase of tangible fixed assets	**(25,632)**	*(117,320)*
Sale of tangible fixed assets	**(2,793)**	*-*
Interest received	**15,038**	*43,656*
Cost of disposal	**-**	*(438,110)*
Cash inflow from disposal	**-**	*4,591,235*
Net cash from investing activities	**(57,615)**	*3,964,646*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	*2018* *£*
Cash flows from financing activities		
Dividends paid	-	*(9,415,968)*
Interest paid	(2,220)	-
Net cash used in financing activities	**(2,220)**	*(9,415,968)*
Net (decrease) in cash and cash equivalents	**(711,340)**	*(2,372,919)*
Cash and cash equivalents at beginning of year	4,261,660	*6,634,579*
Cash and cash equivalents at the end of year	**3,550,320**	*4,261,660*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,550,320	*4,261,660*

The notes on pages 16 to 34 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	4,261,660	(711,340)	3,550,320
	4,261,660	(711,340)	3,550,320

The notes on pages 16 to 34 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 judgement 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 Group 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 price, credit and liquidity risks are described in the Strategic report. The Directors have taken into account the impact of COVID-19 in their going concern assessment.

Lockdowns in the major parts of the world have increased demand for remote working solutions in the beginning of 2020, resulting in extraordinary ARR and revenue growth so far. The directors envisage a further increase in demand for remote working subscriptions for the rest of the year.

Ongoing focus on sales and marketing efficiency, including better engagement with our channel resale partners, will result in further expansion of the recurring business, while careful cost management is in place. EBITDA break even has been achieved and cash break even is expected in the second half of 2020.

Levels of cash remain strong, and the directors therefore have a reasonable expectation that the Group has 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 to 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	- 4 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 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 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.

2.10 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. Accounting policies (continued)

2.11 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

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.

2.12 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. Accounting policies (continued)

2.13 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.

2.14 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.

2.15 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.

2.16 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. Accounting policies (continued)

2.17 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.

2.18 Interest income

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

2.19 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 Statement of financial position date, except that:

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

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

2. Accounting policies (continued)

2.20 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 judgements (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

An analysis of turnover by class of business is as follows:

	2019 £	*2018 £*
Licences and subscriptions	**5,602,111**	*3,869,670*
Support and maintenance fees	**614,741**	*933,221*
Royalty fees	**677,535**	*1,976,694*
Service fees	**-**	*184,739*
	6,894,387	*6,964,324*

Analysis of turnover by country of destination:

	2019 £	*2018 £*
United Kingdom	**430,652**	*421,135*
Rest of Europe	**1,584,154**	*1,519,589*
Rest of the world	**4,879,581**	*5,023,600*
	6,894,387	*6,964,324*

5. Other operating income

	2019 £	*2018 £*
Management services	**21,707**	*116,500*

6. Operating loss

The operating loss is stated after charging:

	2019 £	*2017 £*
Depreciation of tangible fixed assets	**72,055**	*59,176*
Amortisation of intangible assets, including goodwill	**58,928**	*13,561*
Exchange differences	**(1,326)**	*(264,054)*
Other operating lease rentals - land and buildings	**212,581**	*213,437*

7. Auditor's remuneration

	2019 £	*2018* *£*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**20,800**	*26,000*

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

Taxation compliance services	**5,000**	*5,000*
Tax advisory	**1,500**	*1,500*
	6,500	*6,500*

8. Employees

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

	Group 2019 £	*Group* *2018* *£*
Wages and salaries	**4,238,413**	*4,981,152*
Social security costs	**421,815**	*593,922*
Cost of defined contribution scheme	**156,606**	*184,072*
	4,816,834	*5,759,146*

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

	2019 No.	*2018* *No.*
Research and development	**35**	*68*
Administrative	**31**	*23*
	66	*91*

The Group has no employees other than the directors, who did not receive any remuneration *(2018: £Nil)*

Aggregate key management personnel remuneration was £476,711 *(2018: £337,034)*.

9. Directors' remuneration

	2019 £	*2018* *£*
Directors' emoluments	310,692	*294,829*
Group contributions to defined contribution pension schemes	9,041	*5,400*
	319,733	*300,229*

During the year retirement benefits were accruing to 1 directors *(2018: 1)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £225,024 *(2018: £181,249)*.

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,492 *(2018: £Nil)*.

10. Interest receivable

	2019 £	*2018* *£*
Interest receivable	15,038	*43,656*

11. Interest payable and similar expenses

	2019 £	*2018* *£*
Bank interest payable	2,220	-

12. Other finance costs

	2019 £	*2018* *£*
Profit on disposal	-	*3,148,992*

13. Taxation

	2019 £	*2018* *£*
Corporation tax		
Current tax on profits/(loss) for the year	**7,523**	*(704,472)*
	7,523	*(704,472)*
Foreign tax		
Foreign tax on income for the year	**2,111**	*56,263*
Foreign tax in respect of prior periods	**(13,880)**	*-*
Total current tax	**(4,246)**	*(648,209)*
Deferred tax		
Total deferred tax	**-**	*-*
Taxation on loss on ordinary activities	**(4,246)**	*(648,209)*

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2018: lower than)* the standard rate of corporation tax in the UK of 19% *(2018: 19%)*. The differences are explained below:

	2019 £	*2018* *£*
(Loss)/profit on ordinary activities before tax	**(626,884)**	*2,094,340*
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**(119,108)**	*397,925*
Effects of:		
Expenses not deductible	**261**	*47,906*
Adjustments to tax charge in respect of prior periods	**117,914**	*(704,472)*
Deferred tax not provided	**(6,357)**	*(436,008)*
Foreign tax charge	**2,111**	*56,263*
Additional tax deductions	**933**	*(9,823)*
Total tax charge for the year	**(4,246)**	*(648,209)*

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.

14. Dividends

	2019 £	*2018* *£*
Interim dividend paid	-	*9,415,968*

15. Intangible assets

Group

	Domain name £	Software £	Total £
Cost			
At 1 January 2019	**19,966**	**163,649**	**183,615**
Additions	**-**	**47,825**	**47,825**
Disposals	**-**	**(14,525)**	**(14,525)**
At 31 December 2019	**19,966**	**196,949**	**216,915**
Amortisation			
At 1 January 2019	**14,755**	**42,417**	**57,172**
Charge for the year	**3,796**	**55,132**	**58,928**
On disposals	**-**	**(10,928)**	**(10,928)**
At 31 December 2019	**18,551**	**86,621**	**105,172**
Net book value			
At 31 December 2019	**1,415**	**110,328**	**111,743**
At 31 December 2018	*5,211*	*121,232*	*126,443*

Amortisation of intangible fixed assets is included in administrative expenses.

The parent undertaking held no intangible fixed assets in the year *(2018: £Nil)*.

16. Tangible fixed assets

Group

	Leasehold improvements £	Office and computer equipment £	Total £
Cost			
At 1 January 2019	50,468	877,840	928,308
Additions	-	25,632	25,632
Disposals	-	(7,424)	(7,424)
At 31 December 2019	50,468	896,048	946,516
Depreciation			
At 1 January 2019	3,218	752,565	755,783
Charge for the year on owned assets	12,102	59,953	72,055
Disposals	-	(7,423)	(7,423)
At 31 December 2019	15,320	805,095	820,415
Net book value			
At 31 December 2019	35,148	90,953	126,101
At 31 December 2018	*47,250*	*125,275*	*172,525*

The parent undertaking held no tangible fixed assets in the year *(2018: £Nil)*.

17. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	5,334
At 31 December 2019	5,334

Subsidiary undertakings

The following were subsidiary undertakings of the company:

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

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
VNC Limited	1	1
RealVNC Limited	-	-
Deskhop Limited	-	-

18. Debtors

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Trade debtors	**766,387**	*769,719*	-	-
Amounts owed by group undertakings	-	-	**59,171**	*59,171*
Other debtors	**745,289**	*774,939*	-	-
Prepayments and accrued income	**434,321**	*485,026*	-	-
	1,945,997	*2,029,684*	**59,171**	*59,171*

19. Cash and cash equivalents

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Cash at bank and in hand	**3,550,320**	*4,261,660*	-	-

20. Creditors: Amounts falling due within one year

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Trade creditors	**89,746**	*162,282*	-	-
Other taxation and social security	**154,048**	*154,854*	-	-
Other creditors	**1,005**	*3,752*	-	-
Accruals	**646,788**	*449,993*	-	-
Deferred income	**4,430,887**	*3,778,387*	-	-
	5,322,474	*4,549,268*	-	-

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

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Deferred income	**735,886**	*1,742,605*	-	-

22. Financial instruments

	Group 2019 £	*Group 2018 £*
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**4,316,707**	*5,031,379*
Financial liabilities		
Financial liabilities measured at amortised cost	**(737,539)**	*(616,027)*

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

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

23. Share capital

	2019 £	*2018 £*
Allotted, called up and fully paid		
588,498 *(2018: 588,498)* Ordinary shares of £0.01 each	**5,885**	*5,885*

24. 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.

25. Commitments under operating leases

At 31 December 2019 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	*Group 2017 £*
Not later than 1 year	**212,771**	*209,148*
Later than 1 year and not later than 5 years	**593,389**	*798,482*
	806,160	*1,007,630*

26. Related party transactions

Dividend payments in the year included sums paid to directors in their capacity as shareholders of £Nil *(2018: £5,390,272).*

27. Post balance sheet events

The impact from the measures in place to mitigate the spread of the COVID-19 virus is considered to be a non-adjusting post balance sheet event. Given the ongoing impact of COVID-19, management are unable to estimate the financial impact on the Group. No adjusting events have occurred between 31 December 2019 and the date of authorisation of these financial statements.