
REALVNC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023



REALVNC LIMITED

COMPANY INFORMATION

Directors	A Woodhouse C H Yelland
Registered number	04446945
Registered office	50-60 Station Road Cambridge CB1 2JH
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge CB4 0FY

REALVNC LIMITED

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REALVNC LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

Introduction

The directors present their Strategic report for the year ended 31 December 2023.

Business review

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

Revenue grew by 15.2%, principally driven by the increase in ARR and favourable movements in foreign exchange rates. The company's ARR grew by 12.7% (2022: 18.6%) compared to the prior year reflecting the strength of the Group's service offerings combined with the global nature of the business.

Adjusted EBTIDA has reduced primarily as a result of investment in growth initiatives across the business during the financial year, in particular an increase in the capability of research and development and commercial functions. The demand for remote management solutions is forecast to increase and the investments are expected to drive further revenue growth in future years from market penetration, cross-sell and entering adjacent markets.

The company's profit before tax reduced from £1,222,895 in the year ended 31 December 2022 to £588,870 in the year ended 31 December 2023, principally as a result of the continued investment in growth initiatives across the business.

Cash reserves remain strong which further bolsters the Group's ability to invest in growth strategies for the business.

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

In £'million	2023	2022
Turnover	14.6	12.7
EBITDA	0.5	1.6
Cash reserves	3.5	5.5
Annual recurring revenues (ARR)	14.8	13.1

Throughout the year, the company continued to deliver high-quality remote access and management software solutions through a multi-channel strategy, as well as further developing the OEM licensing business, strategic partnerships and collaborations. To support this the company increased its investment in research and development, marketing and sales programs.

The company has retail banking facilities with Barclays Bank UK and banking facilities and foreign exchange forward contracts with HSBC Innovation Bank ("HSBC") (formerly Silicon Valley Bank UK ("SVB UK")). At 31 December 2023, the outstanding foreign exchange contracts had maturity dates falling monthly for a 2 year period. SVB UK was purchased by HSBC UK Bank on 13 March 2023. These parties have made clear that their banking facilities and foreign exchange contracts remain in place as before and the company has continued to operate the bank accounts and close out the foreign exchange contracts as they have matured. While disruptive for the overall banking sector the Board considers that these events do not pose a significant risk to the company.

REALVNC LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Principal risks and uncertainties

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

Talent retention and cost

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

Foreign exchange risk

A large proportion of the company's revenues are denominated in USD and EUR, while the cost base is predominantly in GBP. This means that the company's future business performance can be significantly impacted by exchange volatility between these currencies. During the year the company entered into a series of foreign exchange forward contracts to sell both EUR and USD in exchange for GBP with contract maturities falling periodically through to June 2025 to hedge the forecast future net cashflow over that timeframe. The Board will continue to monitor foreign exchange movements and determine future hedging arrangements as required.

Market Risk

The company operates in an attractive but competitive market segment. There are risks that other business's product developments may decrease the competitiveness of the company's offerings. However the company invests significantly and increasingly in research and development to maintain and improve the attractiveness of the company's services and products.

Data Security

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


Liquidity and credit risk

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

This report was approved by the board on

and signed on its behalf.

C H Yelland
Director

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04-Jun-2024

REALVNC LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their report and the financial statements for the year ended 31 December 2023.

Future developments

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

Dividends

Dividends have not been paid and are not proposed (2022: Nil).

Financial instruments

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

Directors

The directors who served during the year were:

A Woodhouse
C H Yelland

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force through the year and remains in force. For the year ended 31 December 2023 the Directors' and Officers' liability insurance was provided by Raptor Topco Limited, the ultimate parent company.

Research and development

The company continues to invest significantly in research and development activities with the development of existing and new capabilities being a core part of the ongoing strategy for the business. The continued backing of Livingbridge 7 Global LP will enable the company to increase investment in this area alongside other core route to market functions to deliver the anticipated growth in future financial periods. The costs of employees within the company engaged in research and development activities are fully expensed to the Statement of Comprehensive Income.

REALVNC LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

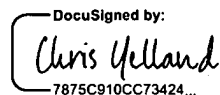
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are 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

and signed on its behalf.

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04-Jun-2024

C H Yelland
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REALVNC LIMITED

Independent auditor's report to the members of RealVNC Limited

Opinion

We have audited the financial statements of RealVNC Limited (the 'company') for the year ended 31 December 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



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

Other information

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

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 themselves. 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REALVNC 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Companies Act 2006.
- We assessed the susceptibility of the company's financial statements to material misstatement including how fraud might occur. Audit procedures included:
 - identifying and assessing the design and effectiveness of controls management has in place to prevent and detect fraud and the adequacy of procedures for authorization of transactions and internal review procedures;
 - challenging assumption and judgments made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular any large or unusual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
 - assessing the extent of compliance with direct laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity including the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules, and the applicable statutory provisions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.



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

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the company's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the company's control environment, including management's knowledge of relevant laws and regulations and how the company is complying with those laws and regulations, the adequacy of procedures for authorisation of transactions, and procedures to ensure that possible breaches of law and regulations are appropriately resolved.

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

Andrew Hodgekins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
4 June 2024

REALVNC LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Turnover	4	14,642,851	12,705,511
Cost of sales		<u>(1,070,635)</u>	<u>(850,971)</u>
Gross profit		13,572,216	11,854,540
Administrative expenses		<u>(13,355,820)</u>	<u>(10,391,874)</u>
Other operating income		<u>128,264</u>	<u>-</u>
Operating profit	5	344,660	1,462,666
Interest receivable and similar income	9	383,814	30,438
Interest payable and similar expenses	10	<u>(139,604)</u>	<u>(270,209)</u>
Profit before tax		588,870	1,222,895
Tax on profit	11	<u>(127,173)</u>	<u>(296,469)</u>
Profit for the financial year		<u>461,697</u>	<u>926,426</u>


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

REALVNC LIMITED
REGISTERED NUMBER:04446945

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	12	309,514	361,312
Tangible fixed assets	13	205,614	213,009
		<u>515,128</u>	<u>574,321</u>
Current assets			
Debtors	14	8,146,197	6,779,493
Cash at bank and in hand	15	3,452,443	5,451,180
		<u>11,598,640</u>	<u>12,230,673</u>
Creditors: amounts falling due within one year	16	<u>(10,307,752)</u>	<u>(11,821,368)</u>
Net current assets		<u>1,290,888</u>	409,305
Total assets less current liabilities		<u>1,806,016</u>	983,626
Creditors: amounts falling due after more than one year	17	(663,131)	(302,438)
Net assets		<u><u>1,142,885</u></u>	<u><u>681,188</u></u>
Capital and reserves			
Called up share capital	20	5,333	5,333
Share premium account	21	17,417	17,417
Share based payment reserve	21	4,916	4,916
Profit and loss account	21	1,115,219	653,522
		<u>1,142,885</u>	<u>681,188</u>

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

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04-Jun-2024

C H Yelland
Director

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

REALVNC LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2023	5,333	17,417	4,916	653,522	681,188
Total comprehensive income for the year					
Profit for the year	-	-	-	461,697	461,697
At 31 December 2023	5,333	17,417	4,916	1,115,219	1,142,885

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	5,333	17,417	4,916	(272,904)	(245,238)
Total comprehensive income for the year					
Profit for the year	-	-	-	926,426	926,426
At 31 December 2022	5,333	17,417	4,916	653,522	681,188

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

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. General information

RealVNC Limited is a private company limited by shares & incorporated in England and Wales. Registered number 04446945. Its registered head office is located at 50-60 Station Road, Cambridge, England, CB1 2JH. The operations and activities of the company are described in the Strategic report on pages 1 - 2.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Raptor Topco Limited as at 31 December 2023 and these financial statements can be obtained from Companies House.

2.3 Going concern

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

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

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

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)**2.4 Revenue**

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

Revenue earned from sales under license 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 as a service ("SaaS"), 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 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.

Grant income relating to research projects with specified future performance related conditions is recognised on a performance model basis and included in revenue when the relevant performance related conditions are met. Income related to research and development expenditure credits for corporation tax relief are recognised as a credit to expenses on an accruals basis in the period in which the company incurs the related expenditure.

2.5 Intangible assets

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

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

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

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

Domain name	5 years
Software	3 - 10 years

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

2.6 Tangible fixed assets

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

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)**2.6 Tangible fixed assets (continued)**

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

The rates applicable are:

Office equipment	4 years
Computer equipment	4 years

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

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

2.7 Impairment of assets

Fixed assets 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). Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Debtors

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

2.9 Cash and cash equivalents

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

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)**2.10 Financial instruments**

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

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

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

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

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

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

Derivatives, including forward foreign currency contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in finance costs or income as appropriate.

The company does not currently apply hedge accounting for interest rate or foreign exchange derivatives.

2.11 Creditors

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

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

2.13 Finance costs

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

2.14 Operating leases: the company as lessee

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

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

2.15 Pensions

Defined contribution pension plan

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

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

2.16 Interest income

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

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.17 Borrowing costs

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

2.18 Provisions for liabilities

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

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

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

2.19 Current and deferred taxation

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

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

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

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

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

2.20 Exceptional items

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

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.21 Share based payments

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

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

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

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

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

Certain amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies.

Deferred tax

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

Going concern

When preparing the financial statements, the company has adopted the going concern basis. In this regard, the company has duly considered a number of factors as explained under note 2.3.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. Turnover

	2023	2022
	£	£
SaaS and subscription	13,730,765	11,603,126
Support services	165,679	249,838
Licenses	556,233	656,051
Royalties	186,424	182,621
Grant income	3,750	11,250
Other	-	2,625
	<u>14,642,851</u>	<u>12,705,511</u>

Analysis of turnover by country of destination:

	2023	2022
	£	£
United Kingdom	1,183,770	1,082,116
Rest of Europe	3,670,446	2,989,225
Rest of the world	9,788,635	8,634,170
	<u>14,642,851</u>	<u>12,705,511</u>

5. Operating profit

The operating profit is stated after charging:

	2023	2022
	£	£
Operating lease rentals - land and buildings	410,546	372,028
Depreciation of tangible fixed assets	86,070	60,551
Amortisation of intangible assets	51,798	32,341
Exchange differences	114,461	(143,815)
Charity donations	1,275	1,342
	<u>1,275</u>	<u>1,342</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. Auditor's remuneration

	2023 £	2022 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	42,810	41,870
	<u> </u>	<u> </u>
Fees payable to the company's auditors and its associates in respect of:		
Taxation compliance services	30,000	32,150
Tax advisory services	34,795	34,043
Other advisory services	26,538	6,700
	<u>91,333</u>	<u>72,893</u>

7. Employees

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

	2023 £	2022 £
Wages and salaries	5,719,975	4,181,698
Social security costs	667,616	512,845
Cost of defined contribution scheme	427,652	297,241
	<u>6,815,243</u>	<u>4,991,784</u>

The comparative has been restated to exclude the cost of temporary staff.

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

	2023 No.	2022 No.
Research and development	39	34
Administrative	57	43
	<u>96</u>	<u>77</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	340,938	326,846
Company contributions to defined contribution pension schemes	18,778	20,723
	<u>359,716</u>	<u>347,569</u>

During the year retirement benefits were accruing to two directors (2022: two) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £207,327 (2022: £181,500).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,180 (2022: £14,667).

The comparative has been restated to exclude the cost of employer's national insurance contributions.

9. Interest receivable and similar income

	2023 £	2022 £
Interest receivable and similar income	205,214	30,438
Fair value gains on derivative financial instruments	178,600	-
	<u>383,814</u>	<u>30,438</u>

10. Interest payable and similar expenses

	2023 £	2022 £
Bank interest payable	-	5,641
Interest on loans from group undertakings	139,604	127,125
Fair value losses on derivative financial instruments	-	137,443
	<u>139,604</u>	<u>270,209</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Tax on profit

	2023 £	2022 £
Corporation tax		
Adjustments in respect of previous periods	307	-
	<u>307</u>	<u>-</u>
Foreign tax		
Foreign tax in respect of prior periods	-	4,940
Total current tax	<u>307</u>	<u>4,940</u>
Deferred tax		
Origination and reversal of timing differences	148,907	226,470
Adjustments in respect of prior periods	(22,041)	(6,457)
Effect of tax rate change on opening balance	-	71,516
Total deferred tax	<u>126,866</u>	<u>291,529</u>
Taxation on profit on ordinary activities	<u>127,173</u>	<u>296,469</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Tax on profit (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2022: *higher than*) the standard rate of corporation tax in the UK of 23.52% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	<u>588,870</u>	<u>1,222,895</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022: 19%)	138,502	232,350
Effects of:		
Fixed asset differences	(1,161)	(11,230)
Expenses not deductible for tax purposes	5,603	5,095
Other permanent differences	300	255
R&D expenditure credits	(3,149)	-
Adjustments to tax charge in respect of prior periods – current tax	307	4,940
Adjustments to tax charge in respect of prior periods - deferred tax	(22,041)	(6,457)
Remeasurement of deferred tax for changes in tax rates	8,812	71,516
Total tax expense for the year	<u>127,173</u>	<u>296,469</u>

Factors that may affect future tax charges:

During the October 2022 Budget, the Chancellor announced that the main UK tax rate will increase to 25% from 1 April 2023. The 23.52% used above reflects 9 months of the new tax rate (25%) and 3 months of the previous tax rate (19%). Deferred tax is measured at 25%.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Intangible assets

	Domain name £	Software £	Total £
Cost			
At 1 January 2023	112,662	479,075	591,737
Reclassified	51,840	(51,840)	-
	<u>164,502</u>	<u>427,235</u>	<u>591,737</u>
At 31 December 2023	<u>164,502</u>	<u>427,235</u>	<u>591,737</u>
Amortisation			
At 1 January 2023	17,402	213,023	230,425
Reclassified	9,720	(9,720)	-
Charge for the year	28,769	23,029	51,798
	<u>55,891</u>	<u>226,332</u>	<u>282,223</u>
At 31 December 2023	<u>55,891</u>	<u>226,332</u>	<u>282,223</u>
Net book value			
At 31 December 2023	<u>108,611</u>	<u>200,903</u>	<u>309,514</u>
At 31 December 2022	<u>95,260</u>	<u>266,052</u>	<u>361,312</u>

REALVNC LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

13. Tangible fixed assets

	Office and computer equipment £	Total £
Cost		
At 1 January 2023	502,275	502,275
Purchases	78,788	78,788
Disposals	(48,271)	(48,271)
	<u>532,792</u>	<u>532,792</u>
At 31 December 2023		
Amortisation		
At 1 January 2023	289,266	289,266
Charge for the year	86,070	86,070
On disposals	(48,158)	(48,158)
	<u>327,178</u>	<u>327,178</u>
At 31 December 2023		
Net book value		
At 31 December 2023	<u>205,614</u>	<u>205,614</u>
At 31 December 2022	<u>213,009</u>	<u>213,009</u>

14. Debtors

	2023 £	2022 £
Trade debtors	1,858,440	1,626,580
Amounts owed by group undertakings	2,856,730	2,279,757
Other debtors	220,004	257,691
Prepayments and accrued income	716,062	475,740
Derivative financial instruments	228,703	21,235
Corporation tax receivable	488,617	213,983
Deferred tax asset	1,777,641	1,904,507
	<u>8,146,197</u>	<u>6,779,493</u>

Included in trade debtors is an impairment loss of £71,485 (2022: £57,950).

Amounts owed by group undertakings are unsecured with a fixed rate of interest of 10% per annum.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	<u>3,452,443</u>	<u>5,451,180</u>

16. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	391,726	198,962
Amounts owed to group undertakings	134,867	2,907,555
Other taxation and social security	341,126	285,118
Other creditors	25,038	7,230
Accruals and deferred income	9,414,995	8,422,503
	<u>10,307,752</u>	<u>11,821,368</u>

The amounts owed to group undertakings above is inclusive of £nil (2022: £2,793,333) owed to Raptor Bidco Limited as part of an intercompany loan arrangement. This amount included both principal and interest. The interest rate on this loan was fixed at 10% per annum and was unsecured. The facility was fully repaid in the current year. The amounts owed to group undertakings at 31 December 2023 are also unsecured with an interest rate fixed at 10% per annum.

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

	2023 £	2022 £
Accruals and deferred income	<u>663,131</u>	<u>302,438</u>

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

18. Deferred taxation

	2023 £	2022 £
At beginning of year	1,904,507	2,196,036
Charge to profit or loss	(126,866)	(291,529)
At end of year	1,777,641	1,904,507

The deferred tax asset is made up as follows:

	2023 £	2022 £
Fixed asset timing differences	(51,404)	(53,252)
Short term timing differences	13,158	8,875
Losses and other deductions	1,815,887	1,948,884
	1,777,641	1,904,507

19. Financial instruments

The company has the following financial instruments:

	2023 £	2022 £
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	1,858,440	1,626,580
Amounts owed by group undertakings	2,856,730	2,279,757
Other debtors	220,004	257,691
	4,935,174	4,164,028
Financial assets measured at fair value through profit or loss		
Derivative financial instruments	228,703	21,235

During the year the company entered into foreign currency forward and option contracts to mitigate the exchange rate risk for net foreign currency cashflows of the business. At 31 December 2023, the outstanding contracts have maturity dates that fall monthly for a 2 year period. The foreign currency derivatives are measured at fair value as of 31 December 2023, which is determined using valuation techniques that utilise observable inputs. The key assumption used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR.

The comparative for the year ending 31 December 2022 has been restated to exclude prepayments and accrued income, corporation tax receivable and deferred tax asset which are not financial instruments.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

19. Financial instruments (continued)

	2023	2022
	£	£
Financial liabilities measured at amortised cost through profit or loss		
Trade creditors	391,726	198,962
Amounts owed to group undertakings	134,867	2,907,555
Other taxation and social security	341,126	285,118
Other creditors	25,038	7,230
Accruals	1,212,940	1,090,596
	<u>2,105,697</u>	<u>4,489,461</u>

20. Share capital

	2023	2022
	£	£
Allotted, called up and fully paid		
5,333 (2022: 5,333) Ordinary shares of £1 each	5,333	5,333
	<u>5,333</u>	<u>5,333</u>

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

21. Reserves**Share premium account**

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

Share based payment reserve

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

Profit and loss account

Includes all current and prior period retained profits and losses.

REALVNC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

22. Related party transactions

Total remuneration paid to Key Management Personnel during the year was £880,820 (2022: £428,492).

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

The comparative has been restated to exclude the cost of employer's national insurance contributions.

23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £427,652 (2022: £297,241). Contributions totaling £52,629 (2022: £44,487) were payable to the fund at the reporting date and are included in creditors.

24. Commitments under operating leases

At 31 December 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	148,873	387,622
Later than 1 year and not later than 5 years	-	148,876
	<u>148,873</u>	<u>536,498</u>

Lease payments of £410,546 (2022: £372,028) were recognised in the Statement of Comprehensive Income for the year.

25. Controlling party

The immediate parent undertaking of the company is VNC Group Limited. The directors consider the ultimate parent undertaking and controlling party to be Raptor Topco Limited which has the same address as RealVNC Limited and can be found on the first page.

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