COMPANY REGISTRATION NUMBER: 04829985

RED EMBEDDED HOLDINGS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2022

THURSDAY
ACDØ61FM
A43 28/09/2023 #145
COMPANIES HOUSE

RED EMBEDDED HOLDINGS LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 2021 TO 31 DECEMBER 2022

Contents

RED EMBEDDED HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	K Bach S J Griffin P G Stevenson A D Stewart S McCarthy R Venkatesam
Company secretary	S J Griffin
Registered office	The Wave 1 View Croft Road Shipley BD17 7DU
Auditor	Wheawill & Sudworth Limited Chartered Accountants & statutory auditor 35 Westgate Huddersfield HD1 1PA
Bankers	Santander Bank plc 10 Park Row Leeds LS1 5HD

The directors present their report for the 16-month financial period ended 31 December 2022.

Principal activity and business review

Red Embedded Holdings Ltd group is a professional services provider specialising in technology development.

The group's largest clients continue to operate in the Pay-Tv and media sectors, for whom Red Embedded designs and develops significant technical assets such as software stacks and CPE hardware offering an end to end solution including consultancy, technical strategy, solution architecture, product design and development, integration, compliance and testing. More recently, the group's established skills in developing connected digital products have seen applications with a wider variety of clients wishing to create connected propositions using IoT technologies.

Results, Performance and Developments during the period

During the period the group changed its year end to align with the calendar year. As a result the financial statements cover the 16-month period ending 31 December 2022. The prior year comparatives have not been restated and are the previous financial year to 31 August 2021.

Total revenue for the period was £35.m (2021: £23.6m). Underlying growth of 16.5% is largely attributable to increased demand for software design and integration services from existing European customers.

The growth was driven by continued investment in our existing development centres in Shipley, UK and Wroclaw, Poland. In addition we expanded our development locations in Poland to include Zielona Gora, Warsaw and Katowice.

Profit for the financial period of £5.0m (2021: £5.1m) was lower due to a cyber incident in December 2021 that impacted profit by £1.0m. In addition, inflationary pressure on the cost base could not be aligned with customer rates and impacted gross margins. The group continues to invest in its infrastructure and support team to service the growth and maintain customer quality as well as internal research and development.

During the period the group obtained £8.2m of external long-term funding via a revolving credit facility to pay the next instalment of the deferred consideration due to the founders of the group following the Employee Ownership trust transaction. At the end of the period £4.2m (12 months to 2021 £nil) had be drawn down from the facility. The underlying business remained cash generative during the period year and the outflow was partially offset through cash from operating activities of £4.8m (2021: £5.1m) with the net impact a reduction of net assets to £7.5m (2021: £10.9m).

Principal risks and uncertainties

The group has an international client base, and the group operates from offices in the UK, Poland, and the US. Both revenue and costs are therefore affected by foreign exchange rate movements. The group employs hedging strategies to mitigate the effect of adverse currency fluctuations and these strategies are continually under review.

The process of risk management is managed by the board of directors and addressed through established business processes and internal controls. Potential risks are managed through careful market and data analysis, sensible planning, and early reaction to changes that affect the business.

Financial Instruments

The group's principal financial instruments comprise of bank balances, revolving credit facility, trade creditors and trade debtors. These instruments provide sufficient funding for the company's continuing operations.

Key Performance indicators

The directors use a range of key performance indicators to manage the group. These include sales order pipeline, gross and net margin, cash generation, staff headcount and customer satisfaction.

Outlook

Technological, regulatory and market changes continue to drive demand for specialist professional services from companies needing to develop innovative products whilst managing the inflationary and cost challenges in the global economy.

The directors continue to seek opportunities to expand the business and to drive enhanced financial performance from the core activities and diversify the customer portfolio and activities. Investment in the Executive and development teams continues to gather pace to support the development of the group which is well placed to provide existing and new services and the outlook is one of steady growth whilst managing the external market pressures.

This report was approved by the board of directors on 30 August 2023 and signed on behalf of the board by:

P G Stevenson
Director

The directors present their report and the financial statements of the group for the period ended 31 December 2022.

Directors

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

K Bach	
S J Griffin	
P G Stevenson	
A D Stewart	
S McCarthy	
R Venkatesam	(Appointed 1 February 2022)
R Mehra	(Resigned 31 March 2022)

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditor

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

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 30 August 2023 and signed on behalf of the board by:

P G Stevenson
Director

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

PERIOD FROM 1 SEPTEMBER 2021 TO 31 DECEMBER 2022

Opinion

We have audited the financial statements of Red Embedded Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2022 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 group's or the parent 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.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Obtained an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;

Assessment of the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur;

Ensured whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations;

Gained clear understanding of the entity's current activities, the scope of its authorisation and confirmed the effectiveness of its control environment where the entity is a regulated entity;

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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

David Butterworth (Senior Statutory Auditor)

For and on behalf of
Wheawill & Sudworth Limited
Chartered Accountants & statutory auditor

35 Westgate
Huddersfield
HD1 1PA

30 August 2023

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PERIOD FROM 1 SEPTEMBER 2021 TO 31 DECEMBER 2022

	Note	Period from 1 Sep 21 to 31 Dec 22 £	Year to 31 Aug 21 £
Turnover	4	**35,699,695**	*23,554,628*
Cost of sales		**(21,509,140)**	*(12,154,142)*
Gross profit		**14,190,555**	*11,400,486*
Administrative expenses		**(9,676,843)**	*(6,378,617)*
Other operating income	5	**1,854,377**	*1,314,746*
Operating profit	6	**6,368,089**	*6,336,615*
Other interest receivable and similar income	9	**723**	*15,466*
Interest payable and similar expenses	10	**(302,525)**	*(578)*
Profit before taxation		**6,066,287**	*6,351,503*
Tax on profit	11	**(1,027,083)**	*(1,214,158)*
Profit for the financial period		**5,039,204**	*5,137,345*
Currency translation adjustment		**307,542**	*(68,372)*
Employee Ownership Trust contributions		**(8,826,904)**	*(9,236,245)*
Other comprehensive income for the period		**(8,519,362)**	*(9,304,617)*
Total comprehensive income for the period		**(3,480,158)**	*(4,167,272)*
Profit for the financial period attributable to:			
The owners of the parent company		**4,683,659**	*4,558,921*
Non-controlling interests		**355,545**	*578,424*
		5,039,204	*5,137,345*
Total comprehensive income for the period attributable to:			
The owners of the parent company		**(3,835,703)**	*(4,745,696)*
Non-controlling interests		**355,545**	*578,424*
		(3,480,158)	*(4,167,272)*

All the activities of the group are from continuing operations.

The notes on pages 17 to 28 form part of these financial statements.

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2022

	Note	31 Dec 22 £	31 Aug 21 £
Fixed assets			
Intangible assets	12	–	*443*
Tangible assets	13	285,973	*245,998*
		285,973	*246,441*
Current assets			
Debtors	15	7,447,177	*6,999,275*
Investments	16	6,333	*6,333*
Cash at bank and in hand		5,889,352	*6,056,232*
		13,342,862	*13,061,840*
Creditors: amounts falling due within one year	17	(1,911,756)	*(2,445,306)*
Net current assets		11,431,106	*10,616,534*
Total assets less current liabilities		11,717,079	*10,862,975*
Creditors: amounts falling due after more than one year	18	(4,200,000)	–
Provisions			
Taxation including deferred tax	19	(20,959)	*(12,357)*
Net assets		7,496,120	*10,850,618*
Capital and reserves			
Called up share capital	23	98	*98*
Share premium account	24	11,432	*11,432*
Other reserves, including the fair value reserve	24	130,726	*5,066*
Profit and loss account	24	7,353,864	*8,362,821*
Equity attributable to the owners of the parent company		7,496,120	*8,379,417*
Non-controlling interests		–	*2,471,201*
		7,496,120	*10,850,618*

These financial statements were approved by the board of directors and authorised for issue on 30 August 2023, and are signed on behalf of the board by:

P G Stevenson
Director

Company registration number: 04829985

The notes on pages 17 to 28 form part of these financial statements.

RED EMBEDDED HOLDINGS LIMITED

BALANCE SHEET

31 DECEMBER 2022

	Note	31 Dec 22 £	31 Aug 21 £
Fixed assets			
Investments	14	**96**	*96*
Current assets			
Debtors	15	**118,525**	*10,330*
Investments	16	**6,333**	*6,333*
Cash at bank and in hand		**24,181**	*22,376*
		149,039	*39,039*
Net current assets		**149,039**	*39,039*
Total assets less current liabilities		**149,135**	*39,135*
Capital and reserves			
Called up share capital	23	**98**	*98*
Share premium account	24	**11,432**	*11,432*
Other reserves, including the fair value reserve	24	**130,726**	*5,066*
Profit and loss account	24	**6,879**	*22,539*
Shareholders funds		**149,135**	*39,135*

The profit for the financial period of the parent company was £8,811,243 (2021: £7,752,994).

These financial statements were approved by the board of directors and authorised for issue on 30 August 2023, and are signed on behalf of the board by:

P G Stevenson
Director

Company registration number: 04829985

The notes on pages 17 to 28 form part of these financial statements.

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PERIOD FROM 1 SEPTEMBER 2021 TO 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Other reserves, including the fair value reserve £	Profit and loss account £	**Equity attributable to the owners of the parent company £**	Non-controlling interests £	**Total £**
At 1 September 2020	98	11,432	5,066	13,108,517	*13,125,113*	1,892,777	*15,017,890*
Profit for the period				4,558,921	*4,558,921*	578,424	*5,137,345*
Other comprehensive income for the period:							
Currency translation adjustment	–	–	–	(68,372)	*(68,372)*	–	*(68,372)*
Employee Ownership Trust contributions	–	–	–	(9,236,245)	*(9,236,245)*	–	*(9,236,245)*
Total comprehensive income for the period	–	–	–	(4,745,696)	*(4,745,696)*	578,424	*(4,167,272)*
At 31 August 2021	98	11,432	5,066	8,362,821	**8,379,417**	2,471,201	**10,850,618**
Profit for the period				4,683,659	**4,683,659**	355,545	**5,039,204**
Other comprehensive income for the period:							
Currency translation adjustment	–	–	–	307,542	**307,542**	–	**307,542**
Employee Ownership Trust contributions	–	–	–	(8,826,904)	**(8,826,904)**	–	**(8,826,904)**
Total comprehensive income for the period	–	–	–	(3,835,703)	**(3,835,703)**	355,545	**(3,480,158)**

The consolidated statement of changes in equity
continues on the following page.

The notes on pages 17 to 28 form part of these financial statements.

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ***(continued)***

PERIOD FROM 1 SEPTEMBER 2021 TO 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Other reserves, including the fair value reserve £	Profit and loss account £	**Equity attributable to the owners of the parent company £**	Non-controlling interests £	**Total £**
Cancellation of subscribed capital	–	–	–	2,826,746	**2,826,746**	(2,826,746)	**–**
Equity-settled share-based payments	–	–	125,660	–	**125,660**	–	**125,660**
Total investments by and distributions to owners	–	–	125,660	2,826,746	**2,952,406**	(2,826,746)	**125,660**
At 31 December 2022	98	11,432	130,726	7,353,864	**7,496,120**	–	**7,496,120**

The notes on pages 17 to 28 form part of these financial statements.

RED EMBEDDED HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

PERIOD FROM 1 SEPTEMBER 2021 TO 31 DECEMBER 2022

	Called up share capital	Share premium account	Other reserves, including the fair value reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 September 2020	98	11,432	5,066	14,401	*30,997*
Profit for the period				7,752,994	*7,752,994*
Other comprehensive income for the period:					
Employee Ownership Trust contributions	–	–	–	(7,744,856)	*(7,744,856)*
Total comprehensive income for the period	–	–	–	8,138	*8,138*
At 31 August 2021	98	11,432	5,066	22,539	**39,135**
Profit for the period				8,811,243	**8,811,243**
Other comprehensive income for the period:					
Employee Ownership Trust contributions	–	–	–	(8,826,903)	**(8,826,903)**
Total comprehensive income for the period	–	–	–	(15,660)	**(15,660)**
Equity-settled share-based payments	–	–	125,660	–	**125,660**
Total investments by and distributions to owners	–	–	125,660	–	**125,660**
At 31 December 2022	98	11,432	130,726	6,879	**149,135**

The notes on pages 17 to 28 form part of these financial statements.

RED EMBEDDED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD FROM 1 SEPTEMBER 2021 TO 31 DECEMBER 2022

	31 Dec 22	31 Aug 21
	£	£
Cash flows from operating activities		
Profit for the financial period	**5,039,204**	*5,137,345*
Adjustments for:		
Depreciation of tangible assets	**254,967**	*281,514*
Amortisation of intangible assets	**443**	*1,790*
Other interest receivable and similar income	**(723)**	*(15,466)*
Interest payable and similar expenses	**302,525**	*578*
Loss/(gains) on disposal of tangible assets	**1,430**	*(518)*
Equity-settled share-based payments	**125,660**	–
Unrealised foreign currency loss/(gains)	**307,542**	*(68,372)*
Tax on profit	**1,027,083**	*1,214,158*
Changes in:		
Trade and other debtors	**(447,902)**	*(1,033,931)*
Trade and other creditors	**(499,224)**	*752,415*
Cash generated from operations	**6,111,005**	*6,269,513*
Interest paid	**(302,525)**	*(578)*
Interest received	**723**	*15,466*
Tax paid	**(1,052,808)**	*(1,169,604)*
Net cash from operating activities	**4,756,395**	*5,114,797*
Cash flows from investing activities		
Purchase of tangible assets	**(296,473)**	*(220,965)*
Proceeds from sale of tangible assets	**101**	*518*
Net cash used in investing activities	**(296,372)**	*(220,447)*
Cash flows from financing activities		
Proceeds from borrowings	**4,200,000**	*(7,486)*
Employee Ownership Trust contributions	**(8,826,903)**	*(9,236,245)*
Net cash used in financing activities	**(4,626,903)**	*(9,243,731)*
Net decrease in cash and cash equivalents	**(166,880)**	*(4,349,381)*
Cash and cash equivalents at beginning of period	**6,056,232**	*10,405,613*
Cash and cash equivalents at end of period	**5,889,352**	*6,056,232*

The notes on pages 17 to 28 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales, company number 04829985. The address of the registered office is The Wave, 1 View Croft Road, Shipley, BD17 7DU.

Change of financial reporting period
The majority of the group's customers report their financial performance to 31 December each year. Internal reporting and budgeting procedures have migrated to this timeline and it made sense to also align the accounting reference date at 31 December. Future financial statements will be report on an annual calendar year basis.

2. Statement of compliance

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

3. Accounting policies

Basis of preparation
The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

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

(a) Disclosures in respect of each class of share capital have not been presented.
(b) No cash flow statement has been presented for the company.
(c) Disclosures in respect of financial instruments have not been presented.
(d) No disclosure has been given for the aggregate remuneration of key management personnel.

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

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

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

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

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

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome.

Revenue recognition

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

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

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

3. Accounting policies *(continued)*

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

Domain name	-	33% straight line

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

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

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

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

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

Provisions
Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

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

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

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

4. Turnover

Turnover arises from:

	Period from 1 Sep 21 to 31 Dec 22	Year to 31 Aug 21
	£	£
Rendering of services	**35,699,695**	*23,554,628*

Analysis of turnover by geographical destination:

	31 Dec 22	31 Aug 21
	£	£
Europe	**25,715,671**	*18,363,059*
Rest of the world	**9,984,024**	*5,191,569*
	35,699,695	*23,554,628*

5. Other operating income

	Period from 1 Sep 21 to 31 Dec 22	Year to 31 Aug 21
	£	£
Rental income	**46,235**	*62,188*
R&D expenditure credit	**1,807,653**	*1,244,947*
Other operating income	**489**	*7,611*
	1,854,377	*1,314,746*

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	Period from 1 Sep 21 to 31 Dec 22	Year to 31 Aug 21
	£	£
Amortisation of intangible assets	**443**	*1,790*
Depreciation of tangible assets	**254,967**	*281,515*
Loss/(gains) on disposal of tangible assets	**1,430**	*(518)*
Equity-settled share-based payments expense	**125,660**	–
Foreign exchange differences	**(227,994)**	*377,484*

7. Staff costs

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

	31 Dec 22	*31 Aug 21*
	No.	*No.*
Administrative staff	**34**	*28*
Direct staff	**210**	*139*
	244	*167*

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

	Period from 1 Sep 21 to 31 Dec 22	*Year to 31 Aug 21*
	£	*£*
Wages and salaries	**20,096,694**	*10,021,698*
Social security costs	**1,261,274**	*599,265*
Other pension costs	**421,443**	*241,090*
	21,779,411	*10,862,053*

8. Directors' remuneration

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

	Period from 1 Sep 21 to 31 Dec 22	*Year to 31 Aug 21*
	£	*£*
Remuneration	**1,063,991**	*486,231*
Company contributions to defined contribution pension plans	**59,172**	*23,329*
	1,123,163	*509,560*

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

	31 Dec 22	*31 Aug 21*
	No.	*No.*
Defined contribution plans	**6**	*9*

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

	Period from 1 Sep 21 to 31 Dec 22	*Year to 31 Aug 21*
	£	*£*
Aggregate remuneration	**354,404**	*92,750*
Company contributions to defined contribution pension plans	**27,188**	*4,895*
	381,592	*97,645*

9. Other interest receivable and similar income

	Period from 1 Sep 21 to 31 Dec 22	Year to 31 Aug 21
	£	£
Interest on cash and cash equivalents	646	–
Other interest receivable	77	6
Gain on financial instruments	–	15,460
	723	15,466

10. Interest payable and similar expenses

	Period from 1 Sep 21 to 31 Dec 22	Year to 31 Aug 21
	£	£
Interest on banks loans and overdrafts	302,133	–
Other interest payable and similar charges	392	578
	302,525	578

11. Tax on profit

Major components of tax income

	Period from 1 Sep 21 to 31 Dec 22	Year to 31 Aug 21
	£	£
Current tax:		
UK current tax income	828,789	1,086,649
Adjustments in respect of prior periods	9,394	24,922
Total UK current tax	838,183	1,111,571
Foreign current tax income	180,298	98,230
Total current tax	1,018,481	1,209,801
Deferred tax:		
Origination and reversal of timing differences	8,602	4,357
Tax on profit	1,027,083	1,214,158

11. Tax on profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the period is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	Period from 1 Sep 21 to 31 Dec 22	Year to 31 Aug 21
	£	£
Profit on ordinary activities before taxation	6,066,287	6,351,503
Profit on ordinary activities by rate of tax	1,152,595	1,204,188
Adjustment to tax charge in respect of prior periods	–	20,931
Effect of expenses not deductible for tax purposes	44,717	4,921
Effect of capital allowances and depreciation	(16,948)	8,505
Effect of different UK tax rates on some earnings	2,065	–
Unused tax losses	–	(4,310)
Additional deduction for R&D expenditure	(109,508)	(24,380)
Other adjustments	(45,838)	4,303
Tax on profit	1,027,083	1,214,158

12. Intangible assets

Group	Patents, trademarks and licences
	£
Cost	
At 1 September 2021 and 31 December 2022	5,369
Amortisation	
At 1 September 2021	4,926
Charge for the period	443
At 31 December 2022	5,369
Carrying amount	
At 31 December 2022	–
At 31 August 2021	443

The company has no intangible assets.

13. Tangible assets

Group	Short leasehold property	Fixtures and fittings	Office equipment	Bicycles	Total
	£	£	£	£	**£**
Cost					
At 1 September 2021	112,289	296,835	953,637	12,238	**1,374,999**
Additions	–	49,791	246,682	–	**296,473**
Disposals	–	–	(4,549)	–	**(4,549)**
At 31 December 2022	112,289	346,626	1,195,770	12,238	**1,666,923**
Depreciation					
At 1 September 2021	66,449	176,658	875,644	10,250	**1,129,001**
Charge for the period	20,060	44,249	189,995	663	**254,967**
Disposals	–	–	(3,018)	–	**(3,018)**
At 31 December 2022	86,509	220,907	1,062,621	10,913	**1,380,950**
Carrying amount					
At 31 December 2022	25,780	125,719	133,149	1,325	**285,973**
At 31 August 2021	45,840	120,177	77,993	1,988	*245,998*

The company has no tangible assets.

14. Investments

The group has no investments.

Company	Shares in group undertakings
	£
Cost	
At 1 September 2021 and 31 December 2022	**96**
Impairment	
At 1 September 2021 and 31 December 2022	**–**
Carrying amount	
At 1 September 2021 and 31 December 2022	**96**
At 31 August 2021	*96*

On 11 August 2022 the ownership percentage in Red Embedded Consulting Limited increased from 87.63% to 100% when the subsidiary bought back and cancelled the shares held by the minority interests.

Subsidiaries, associates and other investments

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

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

14. Investments *(continued)*

	Class of share	Percentage of shares held
Red Embedded Consulting Sp.z o.o	Ordinary shares	100
Amber Management Services Sp.z o.o	Ordinary shares	100

15. Debtors

	Group		Company	
	31 Dec 22	*31 Aug 21*	**31 Dec 22**	*31 Aug 21*
	£	*£*	**£**	*£*
Trade debtors	**5,359,763**	*6,213,500*	**–**	*–*
Amounts owed by group undertakings	**–**	*–*	**118,525**	*10,330*
Prepayments and accrued income	**775,626**	*367,967*	**–**	*–*
Corporation tax repayable	**980,007**	*388,963*	**–**	*–*
Other debtors	**331,781**	*28,845*	**–**	*–*
	7,447,177	*6,999,275*	**118,525**	*10,330*

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

	2022	2021
	£	*£*
Red Embedded Consulting Limited	**118,525**	*10,330*

16. Investments

	Group		Company	
	31 Dec 22	*31 Aug 21*	**31 Dec 22**	*31 Aug 21*
	£	*£*	**£**	*£*
Other investments	**6,333**	*6,333*	**6,333**	*6,333*

Investments having an historical cost of £1,267 (2021: £1,267) had an estimated market value of £6,333 at the end of the year (2021: £6,333).

17. Creditors: amounts falling due within one year

	Group		Company	
	31 Dec 22	*31 Aug 21*	**31 Dec 22**	*31 Aug 21*
	£	*£*	**£**	*£*
Trade creditors	**739,985**	*858,526*	**–**	*–*
Accruals and deferred income	**758,225**	*1,019,501*	**–**	*–*
Corporation tax	**5,870**	*40,197*	**–**	*–*
Social security and other taxes	**403,142**	*527,014*	**–**	*–*
Other creditors	**4,534**	*68*	**–**	*–*
	1,911,756	*2,445,306*	**–**	*–*

17. Creditors: amounts falling due within one year *(continued)*

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of Red Embedded Holdings Limited and Red Embedded Consulting Limited.

18. Creditors: amounts falling due after more than one year

	Group		Company	
	31 Dec 22	31 Aug 21	**31 Dec 22**	31 Aug 21
	£	£	**£**	£
Bank loans and overdrafts	**4,200,000**	–	**–**	–

19. Provisions

Group	**Deferred tax (note 20)**
	£
At 1 September 2021	**12,357**
Additions	**8,602**
At 31 December 2022	**20,959**

The company does not have any provisions.

20. Deferred tax

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

	Group		Company	
	31 Dec 22	31 Aug 21	**31 Dec 22**	31 Aug 21
	£	£	**£**	£
Included in provisions (note 19)	**20,959**	*12,357*	**–**	–

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

	Group		Company	
	31 Dec 22	31 Aug 21	**31 Dec 22**	31 Aug 21
	£	£	**£**	£
Accelerated capital allowances	**39,431**	*27,985*	**–**	–
Deferred tax - other short term timing differences	**(18,472)**	*(15,628)*	**–**	–
	20,959	*12,357*	**–**	–

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution pension plans was £421,443 (2021: £241,090).

22. Share-based payments

The EMI share option scheme is open to nominated employees (including directors). The options granted are time based and can be exercised at various dates in accordance with the individual agreements and must be exercised within 3 years. If the option holder ceases employment with the company the options will lapse and be forfeited.

Details of the number and weighted average exercise prices (WAEP) of share options during the period are as follows:

Group and company	**31 Dec 22**		31 Aug 21	
	No.	**WAEP**	*No.*	*WAEP*
Granted during the period	**348**	**400.00**	–	–
Outstanding at 31 December 2022	**348**	**400.00**	–	–

The total expense recognised in profit or loss for the period is as follows:

	Group		**Company**	
	31 Dec 22	31 Aug 21	**31 Dec 22**	31 Aug 21
	£	*£*	**£**	*£*
Equity-settled share-based payments	**125,660**	–	**125,660**	–

The Black Scholes method has been used to calculate a fair value option price of £812.46 per share.

23. Called up share capital

Issued, called up and fully paid

	31 Dec 22		31 Aug 21	
	No.	**£**	No.	£
Ordinary shares of £0.05 each	**1,956**	**98**	*1,956*	*98*

24. Reserves

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Share option reserve - This reserve records the value received in relation to the issue of share options.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

25. Analysis of changes in net debt

	At 1 Sep 2021	Cash flows	**At 31 Dec 2022**
	£	£	**£**
Cash at bank and in hand	6,056,232	(166,880)	**5,889,352**
Debt due after one year	–	(4,200,000)	**(4,200,000)**
Current asset investments	6,333	–	**6,333**
	6,062,565	(4,366,880)	**1,695,685**

26. Operating leases

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

	Group		**Company**	
	31 Dec 22	31 Aug 21	**31 Dec 22**	31 Aug 21
	£	*£*	**£**	*£*
Not later than 1 year	**576,601**	*464,626*	**–**	–
Later than 1 year and not later than 5 years	**333,952**	*849,196*	**–**	–
	910,553	*1,313,822*	**–**	–

27. Controlling party

There is no one ultimate controlling party of the company.