

**ExcelRedstone Converged
Solutions Limited (formerly
Redstone Converged Solutions
Ltd.)**

Annual Report and Financial Statements

Period Ended

31 March 2019

Company Number 02027207



ExcelRedstone Converged Solutions Limited

Company Information

Directors	M Salter J Moeller-Jensen B J Horgan
Registered number	02027207
Registered office	40 Holborn Viaduct London EC1N 2PB
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

ExcelRedstone Converged Solutions Limited

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ExcelRedstone Converged Solutions Limited

Strategic Report For the Period Ended 31 March 2019

The directors have changed their accounting reference date and therefore present their strategic report together with the audited financial statements for the 14 month period ended 31 March 2019.

Business review

I am delighted to present our 2019 annual report.

The year has seen growth in line with our overall strategy, with sales having grown from £39,166,798 in FY18 to £75,119,795 in the 14 month period to 31 March 2019.

Our objective over the next few years will be to continue to support our clients globally while continuing to develop innovative solutions that need the ever changing needs of our clients. We believe that our reputation for service and delivery excellence will support our growth ambitions.

Our core customer base of major financial institutions continue to provide both strong continuing revenues and new opportunities. The data centre market is however populated by a much broader and diverse community and will undoubtedly diminish our reliance on what has historically represented the origins of our business.

The political uncertainty in the UK has been an inevitable brake on decision making in certain quarters. We believe that this constraint will diminish in the coming years and enable us to realise healthy growth ambitions both at home and abroad. We intend to establish a presence in foreign markets where existing relationships support that development and where further opportunity exists for our expanded offering.

Our business continues to be project led but with a significant recurring element of service provision. These complementary business streams enable us to ensure continuity of service and dialogue with the customer base beyond the intermittent need for substantial project investment. This provides competitive advantage in certain circumstances not least of all in terms of providing opportunities for strong and durable customer relationships.

Internally we have taken the opportunity to rationalise some of the back office activities of the enlarged group and we will further harmonise operations and back office activities with the introduction of new IT ERP platform next year.

No dividend will be paid for the year 2019.

Business model

The Group has been at the vanguard of IT infrastructure and support for more than 30 years. The company has developed a comprehensive portfolio of services which support clients through every stage of the infrastructure cycle, from design and installation through maintenance and support and on to optimisation which allow modern enterprises to support fast changing 24x7x365 operations at local, national and international levels.

The company operates under a relatively traditional business model: strategic management and admin services are based centrally whilst our operational activities take place generally at client premises.

Strategy

Our objective is to achieve above market growth over the long-term economic cycle through our enhanced service and product offerings that are continually enhanced and supported with investment.

While the group have recently completed two large acquisitions we will continue to complement organic growth with relevant target acquisitions that expand our technical capabilities and geographic reach.

ExcelRedstone Converged Solutions Limited

Strategic Report (continued) For the Period Ended 31 March 2019

Financial review

Turnover growth was healthy in the year growing 192% to £75,119,795 in the 14 months to 31 March 2019 compared to £39,166,798 in the 12 months period to 31 January 2018

The 14 months to 31 March 2019 has seen an increase in gross profit from continuing operations to £10,211,662 compared to £3,001,297 in the 12 months period to 31 January 2018. However, there has been deterioration in gross margin from 18.6% in 2018 to 13.59% in 2019. This is disappointing but in part driven by the acquisition related activities of the group and operational issues in relation to a small number of complex projects.

Financial key performance indicators

There are a number of KPI's which the board uses to measure the group's progress against the business plan:

- Turnover
- Gross profit
- Trading profit after taxation

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Turnover (£m)	75.1	39.1
Gross profit (£m)	10.2	7.3
Trading profit after taxation (£m)	3.5	2.5

The key non-financial indicators monitored by the company are the ability to maintain the existing customer base, the ability to attract new customers, contract performance and the future order pipeline. The directors consider these areas to be the principal risk or uncertainty that the business faces.

There was a trading profit for the financial period before taxation of £3,948,267 (2018 - £2,473,961).

Net assets of the company at the year-end were £11,891,511 (2018 - £8,383,835).

Principal activities, business review and future developments

In June 2018 the company was acquired by ExcelRedstone Services Limited.

During the period the company continued its principal activities of installation and maintenance of cabling infrastructures and focus on growing the Smart Building and DAS offerings. These will continue to be the company's principal activities.

Management uses a range of performance measures to monitor and manage the business. Certain measures are particularly important in the generation of shareholder value and are considered key performance indicators (KPIs). Our KPIs measure past performance and provide information to allow us to manage the business.

Turnover, gross profit and net profit indicate the volume of work we have done and its profitability. KPI's for 2019 are shown in the table above, along with prior year's comparatives for continued operations.

ExcelRedstone Converged Solutions Limited

Strategic Report (continued) For the Period Ended 31 March 2019

Principal risks and uncertainties

Brexit

Whilst Brexit is clearly a risk to all organisations, it is not considered a major impact to ExcelRedstone Limited in the short term as a significant proportion of our business is UK based whilst also supporting our clients across EMEA.

Global Recession

As we head into 2020, the outlook for growth across major economies is looking less certain. Any recession would affect our customers which may result in some reduced IT spend. Through our focus on costs we will ensure we react as quickly as possible to any changes in our marketplace.

Lack of available engineering experience

Due to the competitiveness of the marketplace there is a lack of supply of skilled resources, and ensuring we are fully resourced can be challenging. ExcelRedstone Converged Solutions Limited will continue to develop our own staff, offer competitive salaries and seek out relevant expertise in the marketplace to ensure that we have adequate resources. To this end our reputation and cultural development will support our ability to secure the right quality and number of employees.

Principal activities, business review and future developments

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Likely future developments

ExcelRedstone Converged is looking to build on the foundations made in this current year and is looking to achieve conservative growth in the coming year of between 3% and 5%.

It is critical that we are able to try and foresee what is happening in our market place and to have the foresight to predict, envisage, imagine and create the future evolution of technology. In the coming year our focus will be within the Smart Building and DAS arenas. This is key within our strategy so that we ensure the services delivered today are as future proof as possible, and that they can be upgraded if required in order that the business evolves to meet the changing needs of our customers.

ExcelRedstone Converged Solutions Limited

Strategic Report (continued) For the Period Ended 31 March 2019

Financial risk management objective and policies

The company has a variety of financial instruments including cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk (including foreign exchange risk, cash flow interest rate risk and price risk) credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Market risk

(i) Foreign exchange risk

The company is exposed to transaction foreign exchange risk occasionally. If transaction exposures, including those associated with forecast transactions were significant, they would be hedged when known, principally using forward currency contracts. These are infrequent and whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements. Foreign exchange differences on retranslation of these assets and liabilities are taken to the statement of comprehensive income.

(ii) Cash flow interest rate risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. In order to manage credit risk the directors set individual risk limits for customers based on a combination of payment history and third party credit references. The utilisation of credit limits, ageing debt and collection history is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

iii) Price risk

The company is not exposed to significant commodity price risk.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. In order to manage credit risk the directors set individual risk limits for customers based on a combination of payment history and third party credit references. The utilisation of credit limits, ageing debt and collection history is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

Liquidity risk

Liquidity risk is the risk that the company cannot meet financial liabilities when they fall due. The company's policy for managing liquidity risk is to ensure that the business has enough financial resources to carry out its day-to-day activities at any point in time. Management believes that the cash resources on hand, together with the profits of the business, more than cover the resources needed to meet the financial liabilities of the company.

ExcelRedstone Converged Solutions Limited

Strategic Report (continued)
For the Period Ended 31 March 2019

Employees

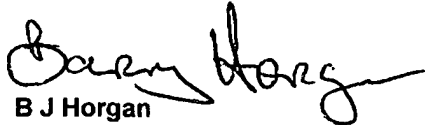
The company's employment policies are designed to ensure that they meet the statutory, social and market practices in the UK where the company operates. The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its relationship with its staff.

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

This report was approved by the board on

31/1/20

and signed on its behalf.



B J Horgan
Director

ExcelRedstone Converged Solutions Limited

Directors' Report For the Period Ended 31 March 2019

The directors present their report together with the audited financial statements for the period ended 31 March 2019. The comparatives are for the year ended 31 January 2018.

Change of name

The Company has passed a special resolution on 28 November 2018 changing its name from Redstone Converged Solutions Ltd. to ExcelRedstone Converged Solutions Limited.

Change in ownership

On 15 June 2018 the entire share capital of the Company was acquired by ExcelRedstone Services Limited

Results and dividends

The profit for the period, after taxation, amounted to £3,507,676 (year ended 31 January 2018 - £2,473,961).

The directors do not recommend payment of a dividend (year ended 31 January 2018 - £Nil).

Directors

The directors who served during the period were:

M Salter
J Moeller-Jensen (appointed 18 June 2018)
B J Horgan (appointed 18 June 2018)
R T Clawson (resigned 18 June 2018)
S N Dredge (resigned 18 June 2018)
B Loughrey (resigned 17 June 2019)
S Williams (resigned 1 April 2019)

Directors' indemnity

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company has the benefit of directors' and Officers' liability insurance in respect of itself and its directors which is purchased by the company's ultimate parent company.

Disclosure of information to auditor

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

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

Post balance sheet events

Information relating to events since the end of the period is given in the notes to the financial statements.

ExcelRedstone Converged Solutions Limited

Directors' Report (continued) For the Period Ended 31 March 2019

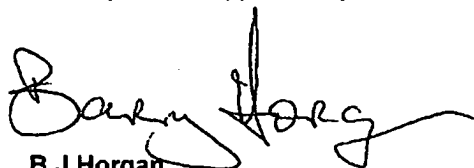
Auditor

The auditor, BDO LLP, were appointed during the period and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

31/1/20

and signed on its behalf.



B J Horgan
Director

ExcelRedstone Converged Solutions Limited

Directors' Responsibilities Statement For the Period Ended 31 March 2019

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- 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.

ExcelRedstone Converged Solutions Limited

Independent Auditor's Report to the Members of ExcelRedstone Converged Solutions Limited

Opinion

We have audited the financial statements of ExcelRedstone Converged Solutions Limited ("the company") for the period ended 31 March 2019 which comprise the statement of comprehensive income, the balance sheet, 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 March 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

ExcelRedstone Converged Solutions Limited

Independent Auditor's Report to the Members of ExcelRedstone Converged Solutions Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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, 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.

ExcelRedstone Converged Solutions Limited

Independent Auditor's Report to the Members of ExcelRedstone Converged Solutions Limited (continued)

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.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://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.

BDO LLP

Oliver Chinneck (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

31 January 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ExcelRedstone Converged Solutions Limited

Statement of Comprehensive Income For the Period Ended 31 March 2019

	Note	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Turnover	4	75,119,795	39,166,798
Cost of sales		(64,908,132)	(31,872,662)
Gross profit		10,211,663	7,294,136
Administrative expenses		(6,258,502)	(4,824,552)
Operating profit		3,953,161	2,469,584
Interest receivable and similar income	8	142	4,441
Interest payable and expenses	9	(5,036)	(64)
Profit before tax		3,948,267	2,473,961
Tax on profit	10	(440,591)	-
Profit and total comprehensive income for the financial period		3,507,676	2,473,961

The notes on pages 15 to 32 form part of these financial statements.

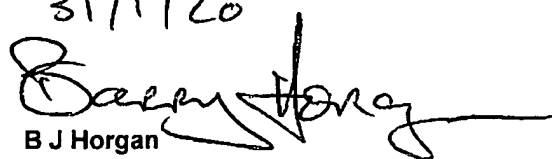
ExcelRedstone Converged Solutions Limited

Registered number: 02027207

Balance Sheet As at 31 March 2019

	Note	31 March 2019 £	31 March 2019 £	31 January 2018 £	31 January 2018 £
Fixed assets					
Intangible assets	11		202,570		172,554
Tangible assets	12		345,768		522,043
			<u>548,338</u>		<u>694,597</u>
Current assets					
Stocks	13	166,402		129,084	
Debtors: amounts falling due after more than one year	14	220,186		617,432	
Debtors: amounts falling due within one year	14	24,056,882		12,382,648	
Cash at bank and in hand		535,769		3,968,588	
		<u>24,979,239</u>		<u>17,097,752</u>	
Creditors: amounts falling due within one year	15	(13,396,017)		(9,322,136)	
Net current assets			<u>11,583,222</u>		<u>7,775,616</u>
Total assets less current liabilities			<u>12,131,560</u>		<u>8,470,213</u>
Creditors: amounts falling due after more than one year	16		(132,671)		-
Provisions for liabilities					
Other provisions	18		(107,378)		(86,378)
Net assets			<u><u>11,891,511</u></u>		<u><u>8,383,835</u></u>
Capital and reserves					
Called up share capital	19		900,000		900,000
Profit and loss account	20		10,991,511		7,483,835
Total equity			<u><u>11,891,511</u></u>		<u><u>8,383,835</u></u>

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

31/1/20

 B J Horgan
 Director

The notes on pages 15 to 32 form part of these financial statements.

ExcelRedstone Converged Solutions Limited

Statement of Changes in Equity For the Period Ended 31 March 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 February 2018	900,000	7,483,835	8,383,835
Comprehensive income for the period			
Profit for the period	-	3,507,676	3,507,676
Total comprehensive income for the period	-	3,507,676	3,507,676
At 31 March 2019	900,000	10,991,511	11,891,511

Statement of Changes in Equity For the Year Ended 31 January 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 February 2017	900,000	4,922,490	5,822,490
Comprehensive income for the year			
Profit for the year	-	2,473,961	2,473,961
Total comprehensive income for the year	-	2,473,961	2,473,961
Contributions by and distributions to owners			
Share based payment charge	-	87,384	87,384
Total transactions with owners	-	87,384	87,384
At 31 January 2018	900,000	7,483,835	8,383,835

The notes on pages 15 to 32 form part of these financial statements.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

1. General information

ExcelRedstone Converged Solutions Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

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).

These are the first accounts prepared under FRS 102, the date of transition from FRS 101 to FRS 102 was 1 April 2018. There are no material changes to the comparative figures as a result of this transition and impact is in respect of disclosures only.

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

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 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of ExcelRedstone Services Limited as at 31 March 2019 and these financial statements may be obtained from 40 Holborn Viaduct, London, EC1N 2PB.

2.3 Going concern

The directors consider that the company has adequate resources to continue in existence for the foreseeable future. The directors have assessed the company's current forecasts, taking into account reasonable changes in trading performance. On the basis of this review, the directors believe that the company will continue to operate within the resources currently available to it. The directors accordingly continue to adopt the going concern basis in preparing these financial statements.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

2. Accounting policies (continued)

2.4 Foreign currency translation

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'

2.5 Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Turnover is measured at fair value of its consideration received, excluding discounts, value added tax and other sales duty.

Turnover from fixed price construction contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured. Turnover includes expenses to the extent that they are recoverable. Where the percentage of completion cannot be reliably measured, turnover is recognised when specified contractual milestones are met or on project completion. When it is probable that the total contract costs will exceed total turnover, the expected loss is recognised immediately. Turnover relating to contractual maintenance is recognised evenly over the period of the agreement.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as 'amounts receivable on contracts' within debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within creditors.

2.6 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.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

2. Accounting policies (continued)

2.7 Interest income

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

2.8 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.

2.9 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

2.10 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 balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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 statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

2. Accounting policies (continued)

2.12 Intangible assets

Research and development

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

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

Other intangibles

Software assets are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Capitalised development costs	- 3 years
Software	- 3 years

2.13 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.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

2. Accounting policies (continued)

2.13 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Leasehold improvements	- depreciated over the length remaining on the corresponding improvements lease
Fixtures & fittings	- 5 years
Office equipment	- 3 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.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 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.

2.16 Amounts recoverable on contracts

Amounts recoverable on contracts represent the gross unbilled amount for contract work performed to date. They are recognised using a cost completion percentage less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the company's contract activities based on normal operating capacity. Contracts that experience losses are fully recognised as soon as those losses are foreseen.

Amounts recoverable on contracts are presented separately to trade debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

2. Accounting policies (continued)

2.17 Cash and cash equivalents

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

2.18 Creditors

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

2.19 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 balance sheet 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 balance sheet.

2.20 Financial instruments

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

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

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

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

2. Accounting policies (continued)

2.20 Financial instruments (continued)

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

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

2.21 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet 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 balance sheet 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 balance sheet date.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

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

a) Critical judgements in applying the group's accounting policies

No significant judgements have had to be made in preparing these financial statements.

b) Key accounting estimates and assumptions

The company has made key assumptions regarding the useful economic life of tangible fixed assets and this is further described in note 2.13 of the accounting policies.

Additionally turnover from fixed price construction contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured which requires management to estimate percentage and cost to complete. Turnover includes expenses to the extent that they are recoverable.

Management also applies estimation when determining provisions for doubtful debts related to amounts receivable from debtors.

4. Turnover

Analysis of turnover by country of destination:

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
United Kingdom	65,324,440	35,328,252
Rest of Europe	6,010,532	3,524,922
Rest of the world	3,784,823	313,624
	<u>75,119,795</u>	<u>39,166,798</u>

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

5. Operating profit

The operating profit is stated after charging/(crediting):

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Amortisation of intangible assets	203,644	165,791
Depreciation of owned tangible fixed assets	396,524	236,438
Exchange differences	(284,036)	(128,864)
Other operating lease costs		
- Plant and machinery	144,015	71,447
- Land and buildings	373,116	87,782
Hire of equipment	33,631	36,969
Auditors remuneration	58,000	24,000

6. Employees

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

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Wages and salaries	16,407,864	13,185,886
Social security costs	1,820,734	1,478,433
Cost of defined contribution scheme	517,713	295,750
	18,746,311	14,960,069

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

	14 month period ended 31 March 2019 No.	Year ended 31 January 2018 No.
Administrative staff	29	26
Sales and distribution staff	254	247
	283	273

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

7. Directors' remuneration

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Directors' emoluments	645,055	509,253
Company contributions to defined contribution pension schemes	30,785	48,429
	<u>675,840</u>	<u>557,682</u>

The highest paid director received remuneration of £254,388 (2018 - £213,369).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £9,750 (2018 - £20,469). Directors' emoluments in the current year includes bonuses paid of £170,000 (2018 - £132,520) and accrued of £170,000 (2018 - £192,000).

The Director emoluments paid in the 14 month period to 31 March 2019 relate wholly to the directors of the company prior to its acquisition by Excel Redstone Services. The active directors of the company, Barry Hogan and Jakob Moeller-Jensen did not receive any emoluments from the company in the 14 month period ended 31 March 2019.

8. Interest receivable and similar income

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Other interest receivable	<u>142</u>	<u>4,441</u>

9. Interest payable and similar expenses

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Bank interest payable	<u>5,036</u>	<u>64</u>

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

10. Taxation

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Corporation tax		
Current tax on profits for the year	43,345	-
Total current tax	<u>43,345</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	605,175	-
Adjustments in respect of prior periods	(207,929)	-
Total deferred tax	<u>397,246</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>440,591</u>	<u>-</u>

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

10. Taxation (continued)

Factors affecting tax charge for the period/year

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

	14 month period ended 31 March 2019 £	Year ended 31 January 2018 £
Profit on ordinary activities before tax	3,948,267	2,473,961
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	750,171	474,176
Effects of:		
Non-tax deductible expenses	-	64,581
Fixed asset differences	1,407	-
Client entertaining	732	-
Utilisation of tax losses	-	(82,891)
Depreciation in excess of capital allowances	-	(36,471)
Utilisation of tax losses and group relief	(32,593)	(419,395)
Adjustment in respect of prior periods - deferred tax	(207,929)	-
Adjust deferred tax to average rate	(71,197)	-
Total tax charge for the period/year	440,591	-

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax asset at 31 March 2019 has been calculated based on the rates substantively enacted at the balance sheet date.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

11. Intangible assets

	Development costs £	Software £	Total £
Cost			
At 1 February 2018	210,800	1,469,948	1,680,748
Additions	-	233,661	233,661
At 31 March 2019	210,800	1,703,609	1,914,409
Amortisation			
At 1 February 2018	210,800	1,297,394	1,508,194
Charge for the year	-	203,645	203,645
At 31 March 2019	210,800	1,501,039	1,711,839
Net book value			
At 31 March 2019	-	202,570	202,570
At 31 January 2018	-	172,554	172,554

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

12. Tangible fixed assets

	Leasehold improvements £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation				
At 1 February 2018	625,796	134,466	1,155,491	1,915,753
Additions	3,491	21,755	205,875	231,121
At 31 March 2019	<u>629,287</u>	<u>156,221</u>	<u>1,361,366</u>	<u>2,146,874</u>
Depreciation				
At 1 February 2018	367,163	70,027	956,520	1,393,710
Charge for the period on owned assets	200,140	33,983	173,273	407,396
At 31 March 2019	<u>567,303</u>	<u>104,010</u>	<u>1,129,793</u>	<u>1,801,106</u>
Net book value				
At 31 March 2019	<u>61,984</u>	<u>52,211</u>	<u>231,573</u>	<u>345,768</u>
At 31 January 2018	<u>258,633</u>	<u>64,439</u>	<u>198,971</u>	<u>522,043</u>

13. Stocks

	31 March 2019 £	31 January 2018 £
Raw materials and consumables	<u>166,402</u>	<u>129,084</u>

Stock recognised in cost of sales as an expense during the year was £113,339 (2018 - £67,162).

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

14. Debtors

	31 March 2019 £	31 January 2018 £
Due after more than one year		
Deferred tax asset	220,186	617,432
	<u>220,186</u>	<u>617,432</u>
	31 March 2019 £	31 January 2018 £
Due within one year		
Trade debtors	11,003,589	4,600,118
Amounts owed by group undertakings	4,789,167	1,875,922
Other debtors	72,031	-
Prepayments and accrued income	1,428,156	762,747
Amounts recoverable on long term contracts	6,763,939	5,143,861
	<u>24,056,882</u>	<u>12,382,648</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £55,663 (2018 - £29,454).

15. Creditors: amounts falling due within one year

	31 March 2019 £	31 January 2018 £
Overdrafts	1,133,002	-
Payments received on account	1,898,646	163,207
Trade creditors	4,436,179	5,796,200
Amounts owed to group undertakings	933,006	912,096
Corporation tax	43,345	-
Other taxation and social security	1,510,632	1,095,865
Accruals	3,297,206	1,105,393
Deferred income	144,001	249,375
	<u>13,396,017</u>	<u>9,322,136</u>

The amounts owed to group undertakings are non-interest bearing and repayable on demand. The directors consider the carrying amount of trade and other creditors equals their fair value.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

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

	31 March 2019 £	31 January 2018 £
Rent deposit held	132,671	-

17. Deferred taxation

	2019 £
At beginning of year	617,432
Charged to profit or loss	(397,246)
At end of year	220,186

The deferred tax asset is made up as follows:

	31 March 2019 £	31 January 2018 £
Accelerated capital allowances	220,186	617,432

18. Provisions

	Repair obligations £
At 1 February 2018	86,378
Additional provision in period	21,000
At 31 March 2019	107,378

The company has two property leases, one expiring on 17 January 2024 and the other under a tenancy at will arrangement, both of which require the company to return the property to the landlord at the end of the tenancy in a specified condition. The above provision has been made by the management in recognition of the estimated cost of returning these premises to the condition specified in the leases based on historic property dilapidation costs and dealings with the present landlords. Until expiry of these leases these provisions will remain as management estimations.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

19. Share capital

	31 March 2019 £	31 January 2018 £
Allotted, called up and fully paid		
900,000 (2018 - 900,000) ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

20. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

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

21. Pension commitments

The company operates a defined contribution 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 £517,713 (2018 - £295,750). Contributions totalling £79,531 (2018 - £73,060) were payable to the fund at the reporting date and are included in creditors.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 March 2019

22. Commitments under operating leases

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

	31 March 2019 £	31 January 2018 £
Not later than 1 year	288,806	173,737
Later than 1 year and not later than 5 years	5,244	56,677
	<u>294,050</u>	<u>230,414</u>

The company leases a warehouse and motor vehicles under operating leases.

During the period £373,116 (2018 - £87,782) was recognised as an expense in the statement of comprehensive income in respect of property operating leases and £144,015 (2018 - £71,447) in respect of motor vehicle operating leases.

23. Post balance sheet events

On the 31st December 2019 ExcelRedstone Converged Solutions Limited acquired the assets and liabilities of ExcleRedstone Limited, a fellow subsidiary of ExcelRedstone Services Limited, as a key step in the restructuring of the group.

24. Ultimate parent and controlling party

There is no single ultimate controlling party. The company is a subsidiary undertaking of ExcelRedstone Comunica Holdings Limited which is the immediate parent company incorporated in England and Wales. The ultimate controlling party is ExcelRedstone Services Limited who acquired the entire shareholding of Comunica Holdings Limited – the sole shareholder of ExcelRedstone Converged Solutions Limited – from RedstoneConnect plc in June 2018.

The largest group in which the results of the company are consolidated is that headed by ExcelRedstone Services Limited, incorporated in England and Wales. No other group financial statements include the results of the company. The consolidated financial statements of these groups are available to the public and may be obtained from 40 Holborn Viaduct, London, EC1N 2PB.

25. Contingent liabilities

ExcelRedstone Services Limited, the ultimate parent company of ExcelRedstone Converged Solutions Limited, signed a facilities agreement with National Westminster Bank Plc dated 25 May 2018. An unlimited intercompany guarantee dated 25 May 2018 in favour of National Westminster Bank plc is also secured over the assets of ExcelRedstone Converged Solutions Limited. The directors consider the possibility of the company having to settle any liability under the terms of the debenture or guarantee to be remote, and no provision is required. The maximum exposure to the company, being the value of the facilities is £22,065,778 (2018 - £Nil).