

ExcelRedstone Converged Solutions Limited

Annual Report and Financial Statements

Period Ended

31 December 2019

Company Number 02027207

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ExcelRedstone Converged Solutions Limited

Company Information

Directors	M Salter J Moeller-Jensen B J Horgan
Registered number	02027207
Registered office	85 Great Portland Street First Floor London W1W 7LT
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 December 2019

The directors have changed their accounting reference date and therefore present their strategic report together with the audited financial statements for the 9 month period ended 31 December 2019. The comparatives cover the 14 month period ended 31 March 2019.

Business review

I am delighted to present our 2019 annual report.

The market for the company's services, IT infrastructure, Data Centres, Managed services and Smart-buildings remains strong. The company delivered £36,644,154 of turnover in the 9 months to 31 December 2019. This was a strong performance as the company finished its flagship project at the Tottenham Hotspur Football club stadium and turnover volumes began to return to more normal conditions. The comparative turnover of £75,119,795 over the 14 months to 31 March 2019 reflects the longer 14 month period and the large volumes associated with the Tottenham Hotspur Football club.

The business in the 9 months to 31 December 2019 continued to be project driven, built on long standing client relationships with global institutions based on long term managed service contracts and associated projects with these and other customers. These complementary business streams enable us to ensure continuity of service and dialogue with the customer base beyond that provided during the intermittent contact related to project investment. This provides a competitive advantage, providing opportunities for strong and durable customer relationships.

Through its scale and international locations the group is an industry leader in data centre, fulfilment centre and office IT infrastructure market across Europe and continues to invest in its international capabilities.

The company continues in its position as a leader in technology of client led customer solutions, with our Smart building and In-building technology solutions being at the leading-edge of technology and is deployed in the many of London's most prestigious new property projects.

In the 9 months to 31 December 2019 management focused on improving project margins, through improved pricing, project bidding and project planning. Due to these initiatives gross margin of £8,924,795 for the 9 month period was delivered at a 24.36% compared to £10,211,663 at 13.59% for the comparative 14 month period.

The streamlining of the businesses, that occurred through the 9 month period to 31 December 2019 has resulted in an operating profit of £2,962,663 compared to the 14 month period of £3,953,161, reflecting the improving margins flowing through to operating profit.

At 31 December 2019 the group realised a strategic goal of merging the trade assets of its subsidiary ExcelRedstone Limited into the company. The merger realised the strategic goal of the directors and has allowed the board to focus on international expansion and delivering further cost saving synergies across the streamlined group. The trade and asset transfer of £9,961,958 was accounted for as a distribution through the distributable equity reserves in ExcelRedstone Limited and a capital contribution in ExcelRedstone Converged Solutions Limited.

In early February 2020 and peaking in May 2020 the business was disrupted by the global outbreak of Covid 19. Business disruption was in the form of closed customer sites, delays on projects and the closure of our London head office in line with the UK governments' social distancing requirements. The business utilised its internal expertise in facilitating the transition of staff working from home and by the end of March 2020 had fully transitioned successfully to a working from home model.

As a result of the outbreak a number of our customers serviced by our projects division were put on hold but full demand had re-emerged by July 20. Our managed services division, throughout the pandemic, assisted many of our customers with the implementation of their disaster recovery plans and for a number of months the division experienced unusually high demand as we assisted our customers in re-aligning their offices and IT environment with social distancing guidance.

ExcelRedstone Converged Solutions Limited

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

More broadly, our clients, comprised of hyper-scalers and multi-national financial organisations have experienced increased demand for their services in the pandemic. This has resulted in many of our customers revisiting their IT infrastructure requirements and we expect increased demand for our services in the medium to longer term.

Covid-19 has created both challenges and opportunities for the company and management have remained on an agile and reactive footing throughout the crisis.

Our objectives over the next few years will be to continue to support our clients globally. We will continue to develop innovative solutions that meet the needs of the emerging requirements of our clients. We believe that our reputation for service and excellent delivery will support our growth ambitions.

As such 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.

No dividend will be paid for the period ended 31 December 2019.

Business model

The group (ExcelRedstone Converged Solutions and its sister companies owned by ExcelRedstone Services Limited) has been at the vanguard of IT infrastructure and support for more than 30 years. The group 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 group 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.

Financial review

Turnover was £36,644,154 in the 9 months to 31 December 2019 compared to £75,119,795 in the 14 months period to 31 March 2019, in line with management's expectations as our flagship project at Tottenham Hotspur football club wound down.

The 9 months to 31 December 2019 saw gross profit from continuing operations at £8,924,975 at 24.36% compared to £10,211,662 in the 14 months period to 31 March 2019 at 13.59%. This improvement was driven by management's focus on project pricing and planning.

There was a trading profit for the financial period before taxation of £2,955,487 (31 March 2019 £3,948,267).

Net assets of the company at the year end were £24,398,464 (31 March 2019 £11,891,511). The increase is attributable to the profit in the year together with the legacy ExcelRedstone Limited trade & assets transferred on 31 December 2019 as described above.

ExcelRedstone Converged Solutions Limited

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

Financial key performance indicators

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 9 month period to 31 December 2019 are shown in the table below, along with prior year's comparatives for continued operations as follows:

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Turnover	36,644,154	75,119,795
Gross profit	8,924,795	10,211,663
Operating profit	2,962,663	3,953,165

Turnover from continuing operations

As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies.

Gross margin from continuing operations

Gross margin provides an indication of the quality of turnover growth and is also a measure of value added by the group, reflecting the quality of design and production processes which enable the group to achieve premium price points.

Operating profit

Operating profit provides confidence that the gross margin is not offset by excessive support costs and gives an indication of future cash flows.

Non-financial indicators

The key non financial indicators monitored by the company are the ability to maintain the existing customer base, the ability to attract new customers, continued contract performance, growth of the future order pipeline and ensuring we provide a working environment that is inclusive in order to maximise productivity, attract new talent and increase employee wellbeing. The directors consider these areas to be the principal risk or uncertainty that the business faces.

Principal activities, business review and future developments

The principal activity of the company during the year continues to be the provision of 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.

ExcelRedstone Converged Limited 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% in a Covid-19 environment, albeit internally directors are expecting higher growth rates over the next few years.

ExcelRedstone Converged Solutions Limited

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

Principal risks and uncertainties

Covid-19

The Covid-19 pandemic brings a range of challenges to our business from social distancing to retaining an effective team from home working, to meeting the accelerated and changing needs of our customers. We will mitigate these risks by:

- Keeping the safety of our staff paramount and following government guidance
- Utilising existing technology to drive effective performance in our teams whilst we work from home
- Keeping the customer at the centre of our business. We adjust our products and services and in line with meeting their goals

Competition

The already competitive market could become even more competitive and we could suffer increased competition from large national competitors or small companies operating at a local level resulting in reduced market share and lower revenue. We will mitigate this risk by:

- Creating commercial advantage by providing the highest level of service, consistently and at a price which offers value.
- Differentiation of service.
- Enhance the barriers to entry to newcomers provided by our platform of industry-leading IT and hardware, experienced personnel and global reach.
- Regularly estimate and monitor our market share and track the performance of our competitors.

People

Retaining and attracting good people is key to delivering superior performance and customer service.

Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely. We will mitigate this risk by:

- Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.
- Ensuring that our staff have the right working environment and equipment to enable them to do the best job possible. This has become ever more relevant in the Covid-19 reality as many of our staff remain working from home Invest in training and career development opportunities for our people to support them in their careers.
- Making sure everyone feels welcome in the workplace and promoting an inclusive workplace in order to maximise productivity, attract new talent and increase employee wellbeing.

ExcelRedstone Converged Solutions Limited

Strategic Report (continued) For the Period Ended 31 December 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

- 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.

- 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.

- 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 December 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.

Section 172 (1) statement

The board welcomes the section 172 reporting requirement as an opportunity to explain how dialogue with stakeholders has informed and helped to shape its decisions.

The Companies Act 2006 (the "Act"), as amended by the Companies (Miscellaneous Reporting) Regulations 2018, now requires companies to include a "Section 172(1) Statement" in the Strategic Report describing how directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Act when performing their duties under Section 172. Section 172 of the Act requires directors of a company to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

S172(1)(a) "The likely consequences of any decision in the long term"

Through working collaboratively with management and listening to feedback from the company's many stakeholders, the board believes that is well positioned to respond to increasing uncertainty particularly in the Covid-19 reality. As a private company the boards decision making progress inherently focused on long term strategic goals

S172(1)(b) "The interests of the company's employees"

The Directors recognise that the company's employees are fundamental to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees.

S172(1)(c) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers and customers and regulatory entities. The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics.

S172(1)(d) "The impact of the company's operations on the community and the environment"

The company is embedded in the UK business community and regularly provides strategic support to charities in the form of project work or direct donation

S172(1)(e) "The desirability of the company maintaining a reputation for high standards of business conduct"

The Board periodically reviews and approves policies, such as The Employee hand book and adheres to ISO industry standards. In 2020 the company achieved a rating of 4.5 in the considerate constructors scheme

ExcelRedstone Converged Solutions Limited

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

Section 172 (1) statement (continued)

S172(1)(f) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

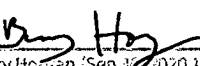
Delegation of authority

The board believes governance of the company is best achieved by delegation of its authority for the executive management of the company to the CEO, subject to defined limits and monitoring by the board. The board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility.

The board has adopted a long-standing corporate governance framework, which includes principles outlining:

- The board's relationship with shareholders and executive management.
- The conduct of board affairs and the tasks and requirements for board committees.
- The board's focus on activities that enable it to promote shareholders' interests, including development of strategy, monitoring of executive action and ongoing board and executive management succession.

This report was approved by the board on **Sep 30, 2020** and signed on its behalf.


Barry Horgan (Sep 30, 2020 17:04 GMT+1)
B J Horgan
Director

ExcelRedstone Converged Solutions Limited

Directors' Report For the Period Ended 31 December 2019

The directors present their report together with the audited financial statements for the period ended 9 month period ended 31 December 2019. The comparatives are for the 14 month period ended 31 March 2019.

Principal activity

The principal activity of the company during the year continues to be the provision of 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.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on pages 1 to 5 of these financial statements.

Results and dividends

The profit for the period, after taxation, amounted to £2,544,994 (2019 - £3,507,676).

The directors do not recommend payment of a dividend (31 March 2019 - £Nil).

Directors

The directors who served during the period were:

M Salter
J Moeller-Jensen
B J Horgan
B R 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 officer's 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.

ExcelRedstone Converged Solutions Limited

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

Post balance sheet events

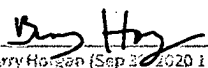
The outbreak of Covid-19 was declared a Public Health Emergency on 30 January 2020, by the World Health Organization ("WHO"). Subsequently, on 11 March 2020, it was confirmed as a pandemic. The effect of the pandemic resulted in restrictions in movement of goods, services, people and business operations.

The directors have considered the impact of this on the financial statements at 31 December 2019 and have concluded this is a non-adjusting event after the reporting period. The directors have monitored trading up to the date of authorising and issuing the financial statements. Despite the ongoing uncertainty, the financial performance for the year commencing 1 January 2020 has been tracking in line with budget. As noted in the strategic report, trading has slowly returned to a degree of normality. However, the directors maintain a cautious outlook due to the ongoing pandemic.

Auditor

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

This report was approved by the board on Sep 30, 2020 and signed on its behalf.


Barry Horgan (Sep 30, 2020 17:04 GMT+1)

B J Horgan
Director

ExcelRedstone Converged Solutions Limited

Directors' Responsibilities Statement For the Period Ended 31 December 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 then 9 months period period ended 31 December 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 December 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.



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

30 September 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 December 2019

	Note	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Turnover	4	36,644,154	75,119,795
Cost of sales		(27,719,359)	(64,908,132)
Gross profit		8,924,795	10,211,663
Administrative expenses		(5,611,782)	(6,258,502)
Exceptional administrative expenses	5	(350,351)	-
Operating profit		2,962,662	3,953,161
Interest receivable and similar income	9	106	142
Interest payable and similar charges	10	(7,282)	(5,036)
Profit before tax		2,955,486	3,948,267
Tax on profit	11	(410,492)	(440,591)
Profit and total comprehensive income for the financial period		2,544,994	3,507,676

The notes on pages 17 to 36 form part of these financial statements.

ExcelRedstone Converged Solutions Limited

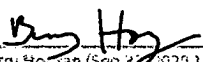
Registered number:02027207

Balance Sheet As at 31 December 2019

	Note	31 December 2019 £	31 December 2019 £	31 March 2019 £	31 March 2019 £
Fixed assets					
Intangible assets	12		133,567		202,570
Tangible assets	13		209,237		345,768
			<u>342,804</u>		<u>548,338</u>
Current assets					
Stocks	14	170,440		166,402	
Debtors: amounts falling due after more than one year	15	102,311		220,186	
Debtors: amounts falling due within one year	15	41,003,782		24,056,882	
Cash at bank and in hand		2,010,664		535,769	
		<u>43,287,197</u>		<u>24,979,239</u>	
Creditors: amounts falling due within one year	16	(18,977,691)		(13,396,017)	
Net current assets			<u>24,309,506</u>		<u>11,583,222</u>
Total assets less current liabilities			<u>24,652,310</u>		<u>12,131,560</u>
Creditors: amounts falling due after more than one year	17		(132,969)		(132,671)
Provisions for liabilities					
Other provisions	19		(120,878)		(107,378)
Net assets			<u><u>24,398,463</u></u>		<u><u>11,891,511</u></u>
Capital and reserves					
Called up share capital	20		900,000		900,000
Capital redemption reserve	21		9,961,958		-
Profit and loss account	21		13,536,505		10,991,511
Total equity			<u><u>24,398,463</u></u>		<u><u>11,891,511</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
Sep 30, 2020

B J Horgan
Director


Barry Horgan (Sep 30, 2020 17:04 GMT+1)

The notes on pages 17 to 36 form part of these financial statements.

ExcelRedstone Converged Solutions Limited

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

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2019	900,000	-	10,991,511	11,891,511
Comprehensive income for the period				
Profit for the period	-	-	2,544,994	2,544,994
Total comprehensive income for the period	-	-	2,544,994	2,544,994
Contribution of equity (note 21)	-	9,961,958	-	9,961,958
At 31 December 2019	900,000	9,961,958	13,536,505	24,398,463

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

The notes on pages 17 to 36 form part of these financial statements.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 December 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).

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 December 2019 and these financial statements may be obtained from 85 Great Portland Street, First Floor, London, England, W1W 7LT.

2.3 Going concern

The company financial statements have been prepared on a going concern basis. In reaching this conclusion regarding the going concern assumption, the directors considered cash flow forecasts for a period of greater than twelve months from the date of signing of these financial statements. The cash flow forecasts have been prepared by the parent company directors on a group wide basis having considered the impact of the outbreak of Covid-19.

In context of the ExcelRedstone Group, there are number of quarterly financial covenant tests that must be adhered to which include interest cover, adjusted leverage and cash-flow cover. These covenants are attached to the bank loans in ExcelRedstone Services Limited which were obtained from National Westminster Bank Plc in the prior year, and repayable through to March 2023, to finance the prior year Redstone and Kedington acquisitions.

ExcelRedstone Converged Solutions Limited

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

2. Accounting policies (continued)

2.3 Going concern (continued)

As at 31 December 2019 the group had total borrowings including its invoice discounting facility and a fully drawn revolving credit facility ("RCF") of £22.1m, with cash of £3.9m.

As at 31 August 2020 the group's total borrowings were £20.1m with cash of £9.3m. The invoice discounting facility, a monthly rolling agreement with a one-month notice period, was undrawn with availability of £6.0m.

All of these covenants have been met in the period to 31 December 2019. Post period-end due to the adverse impact of Covid-19 the group identified challenges in meeting its covenants and have therefore been in detailed discussions with their principal bankers. As a result of these discussions the group have formally agreed waivers, covenant holidays and a revision of covenants until December 2022.

In assessing its ability to continue as a going concern the directors have considered a number of scenarios and liquidity positions. The cash flow forecasts assessed the ability of the group to operate both within the revised covenants and the facility headroom. This included a number of downside sensitivities and a reverse stress test scenario. The reverse stress test performed ascertained the point at which the covenants would be breached in respect of the key assumption of an EBITDA decline.

The reverse stress test indicated that the business, without considering further mitigating options available to the business such as fundraising, use of available Government support, working capital management and cost reduction measures would be capable of withstanding a significant reduction in revenues and EBITDA.

In light of the current trading, pipeline, resilience in certain markets to Covid-19, cash position and revised forecasts, the directors having assessed the required downturn in revenue and EBITDA for a covenant breach to occur and concluded the likelihood of such a reduction is remote. This therefore does not impact the basis of preparation of the financial statements and there is no material uncertainty in this regard.

Similar to other businesses, we have limited background experience on how to manage the Covid-19 pandemic's impact on the business. Uncertainty remains over the outlook, Government restrictions, its impact on economy and therefore revisions to forecasts may be required.

The directors are however, comfortable that the group and therefore the company could withstand a decline in revenue and EBITDA and continue to operate within the available banking facilities based on support that would be available to the company if required. Accordingly, the group and the company continues to adopt the going concern basis in preparing the financial statements.

ExcelRedstone Converged Solutions Limited

Notes to the Financial Statements For the Period Ended 31 December 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 profit or loss on a straight line basis over the lease term.

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

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

ExcelRedstone Converged Solutions Limited

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

2. Accounting policies (continued)

2.8 Finance costs

Finance costs are charged to profit or loss 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 profit or loss 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 profit or loss 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 profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each 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 profit or loss over the remaining vesting period.

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

2.12 Exceptional items

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

ExcelRedstone Converged Solutions Limited

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

2. Accounting policies (continued)

2.13 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

2.14 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 December 2019

2. Accounting policies (continued)

2.14 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 profit or loss.

2.15 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.

2.16 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.

2.17 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 December 2019

2. Accounting policies (continued)

2.18 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.

2.19 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.

2.20 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 profit or loss 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.

2.21 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 ordinary shares.

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

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 December 2019

2. Accounting policies (continued)

2.21 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.

2.22 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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 December 2019

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

- Critical judgements in applying the group's accounting policies

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

- 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 2.14 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 completion. Turnover includes expenses to the extent that they are recoverable.

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

4. Turnover

Analysis of turnover by country of destination:

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
United Kingdom	32,835,104	65,324,440
Rest of Europe	2,560,477	6,010,532
Rest of the world	1,248,573	3,784,823
	<u>36,644,154</u>	<u>75,119,795</u>

5. Exceptional items

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Ex Gratia and redundancy related costs	350,351	-
	<u>350,351</u>	<u>-</u>

As part of the group re-organisation following the trade & asset transfer from ExcelRedstone Limited, certain employees were paid an ex gratia bonus which is shown as an exceptional one-off item in the year.

ExcelRedstone Converged Solutions Limited

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

6. Operating profit

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

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Amortisation of intangible assets	126,543	203,644
Depreciation of owned tangible fixed assets	179,566	396,524
Exchange differences	(25,989)	(284,036)
Other operating lease costs		
- Motor vehicles	51,199	144,015
- Land and buildings	251,184	373,116
Hire of equipment	-	33,631
Auditors remuneration	65,000	58,000
	<u>1,017,303</u>	<u>1,017,303</u>

7. Employees

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

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Wages and salaries	11,345,702	16,407,864
Social security costs	1,245,486	1,820,734
Cost of defined contribution scheme	357,558	517,713
	<u>12,948,746</u>	<u>18,746,311</u>

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

	9 month period ended 31 December 2019 No.	14 month period ended 31 March 2019 No.
Administrative staff	16	29
Sales and distribution staff	246	254
	<u>262</u>	<u>283</u>

ExcelRedstone Converged Solutions Limited

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

8. Directors' remuneration

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Directors' emoluments	179,409	645,055
Company contributions to defined contribution pension schemes	9,000	30,785
	<u>188,409</u>	<u>675,840</u>

The highest paid director received remuneration of £189,866 (31 March 2019 - £254,388).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £9,000 (31 March 2019 - £9,750).

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 ExcelRedstone Services Limited. The active directors of the company, Barry Hogan and Jakob Moeller Jensen did not receive any emoluments from the company in the 9 month period ended 31 December 2019.

9. Interest receivable and similar income

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Other interest receivable	106	142

10. Interest payable and similar charges

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Bank interest payable	7,282	5,036

ExcelRedstone Converged Solutions Limited

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

11. Taxation

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Corporation tax		
Current tax on profits for the year	453,575	43,345
Adjustments in respect of previous periods	(160,959)	-
Total current tax	292,616	43,345
Deferred tax		
Origination and reversal of timing differences	87,024	605,175
Adjustments in respect of prior periods	30,852	(207,929)
Total deferred tax	117,876	397,246
Taxation on profit on ordinary activities	410,492	440,591

Factors affecting tax charge for the period

The tax assessed for the period is lower than (31 March 2019 - lower than) the standard rate of corporation tax in the UK of 19% (31 March 2019 - 19%). The differences are explained below:

	9 month period ended 31 December 2019 £	14 month period ended 31 March 2019 £
Profit on ordinary activities before tax	2,955,486	3,948,267
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (31 March 2019 - 19%)	561,543	750,171
Effects of:		
Fixed asset differences	(4,710)	1,407
Client entertaining	-	732
Utilisation of tax losses and group relief	-	(32,593)
Adjustment in respect of prior periods	(136,102)	(207,929)
Adjust deferred tax to average rate	(10,239)	(71,197)
Total tax charge for the period	410,492	440,591

ExcelRedstone Converged Solutions Limited

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

11. Taxation (continued)

Factors that may affect future tax charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the Balance Sheet date, its effects are not included in these financial statements.

12. Intangible assets

	Development costs £	Software £	Total £
Cost			
At 1 April 2019	210,800	1,703,609	1,914,409
Additions	-	57,540	57,540
At 31 December 2019	210,800	1,761,149	1,971,949
Amortisation			
At 1 April 2019	210,800	1,501,039	1,711,839
Charge for the period	-	126,543	126,543
At 31 December 2019	210,800	1,627,582	1,838,382
Net book value			
At 31 December 2019	-	133,567	133,567
At 31 March 2019	-	202,570	202,570

ExcelRedstone Converged Solutions Limited

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

13. Tangible fixed assets

	Leasehold improvements £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation				
At 1 April 2019	629,287	156,221	1,361,366	2,146,874
Additions	34,622	458	7,956	43,036
At 31 December 2019	663,909	156,679	1,369,322	2,189,910
Depreciation				
At 1 April 2019	567,303	104,010	1,129,793	1,801,106
Charge for the period	63,288	15,594	100,685	179,567
At 31 December 2019	630,591	119,604	1,230,478	1,980,673
Net book value				
At 31 December 2019	33,318	37,075	138,844	209,237
At 31 March 2019	61,984	52,211	231,573	345,768

14. Stocks

	31 December 2019 £	31 March 2019 £
Raw materials and consumables	170,440	166,402

Stock recognised in cost of sales as an expense during the year was £47,907 (31 March 2019 - £113,339).

ExcelRedstone Converged Solutions Limited

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

15. Debtors

	31 December 2019 £	31 March 2019 £
Due after more than one year		
Deferred tax asset	102,311	220,186
	<u>102,311</u>	<u>220,186</u>
	31 December 2019 £	31 March 2019 £
Due within one year		
Trade debtors	14,312,237	11,003,589
Amounts owed by group undertakings	15,750,301	4,789,167
Other debtors	503,006	72,031
Directors loans	1,150,345	-
Prepayments and accrued income	755,554	1,428,156
Amounts recoverable on long term contracts	8,532,339	6,763,939
	<u>41,003,782</u>	<u>24,056,882</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £30,388 (31 March 2019 - £55,663).

16. Creditors: amounts falling due within one year

	31 December 2019 £	31 March 2019 £
Amounts due on invoicing discount facility	2,467,135	1,133,002
Payments received on account	1,044,831	1,898,646
Trade creditors	4,301,296	4,436,179
Amounts owed to group undertakings	912,155	933,006
Corporation tax	416,619	43,345
Other taxation and social security	2,647,804	1,510,632
Accruals	4,585,611	3,297,206
Deferred income	2,602,240	144,001
	<u>18,977,691</u>	<u>13,396,017</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 December 2019

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

	31 December 2019 £	31 March 2019 £
Rent deposit held	132,969	132,671

18. Deferred taxation

	2019 £	2019 £
At beginning of year	220,186	617,432
Charged to profit or loss	(117,875)	(397,246)
At end of year	102,311	220,186

The deferred tax asset is made up as follows:

	31 December 2019 £	31 March 2019 £
Accelerated capital allowances	102,311	220,186

19. Provisions

	Repair obligations £
At 1 April 2019	107,378
Additional provision in period	13,500
At 31 December 2019	120,878

At 31 December 2019 the company had two property leases, one expiring on 17 January 2024 and the other under a tenancy at will arrangement that ended in June 2020. 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 the final settlement and 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 December 2019

20. Share capital

	31 December 2019 £	31 March 2019 £
Allotted, called up and fully paid		
900,000 ordinary shares of £1 each	900,000	900,000

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.

21. 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.

Capital contribution reserve

The capital contribution reserve represents capital contributions made by the owners of the company.

On 31 December 2019, the owners of ExcelRedstone Limited, a sister subsidiary to ExcelRedstone Converged Solutions Limited, transferred its trade & assets to the company at £nil consideration, being a capital contribution to equity reserves. The net book value of the assets & liabilities transferred were as follows:

ExcelRedstone Converged Solutions Limited

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

	£
Net assets transferred:	-
Trade receivables	6,052,848
Other receivables	300,166
Directors loans	1,150,345
Cash	(1,941,694)
Amounts receivable on contracts	2,218,846
Amounts receivable from group undertakings	9,340,021
Trade payables	(2,284,292)
Accruals and deferred income	(3,312,180)
Other taxes & social security	(1,345,380)
Amounts due from group undertakings	(216,361)
Total net assets transferred	9,961,958

22. Share-based payments

On 8 March 2017 the company's parent, ExcelRedstone Services Limited, issued 34,980 share options to certain key employees employed in the company for the commercial purpose of retaining the relevant option holders.

The vesting of the options are wholly contingent on an exit event occurring at which point the options shall be deemed to have vested provided that the option holder is still in employment and not under notice.

The options are not subject to any other performance conditions. At the period end date the directors do not consider any such exit event probable and therefore there is no related income statement charge for the 9 months to 31 December 2019 (year ended 31 March 2019 - £Nil).

23. 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 £357,557 (31 March 2019 - £517,713). Contributions totalling £173,096 (31 March 2019 - £79,531) 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 December 2019

24. Commitments under operating leases

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

	31 December 2019 £	31 March 2019 £
Not later than 1 year	103,285	288,806
Later than 1 year and not later than 5 years	269,991	5,244
	<u>373,276</u>	<u>294,050</u>

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

During the period £251,184 (31 March 2019 - £373,116) was recognised as an expense in the statement of comprehensive income in respect of property operating leases and £51,199 (31 March 2019 - £144,015) in respect of motor vehicle operating leases.

25. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

In the year to 31 March 2016, ExcelRedstone Limited advanced loans to its directors. These loans have been transferred over to the Company on 31 December 2019 as part of the trade & asset transfer as detailed in the Strategic Report and note 21. The amount outstanding is disclosed in note 15 and accrues interest at 4% per annum.

Key management personnel include all directors and senior managers of the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company during the 9 month period to 31 December 2019 was £189,866 (14 month period to 31 March 2019 £675,840).

26. Post balance sheet events

The outbreak of Covid-19 was declared a Public Health Emergency on 30 January 2020, by the World Health Organization ("WHO"). Subsequently, on 11 March 2020, it was confirmed as a pandemic. The effect of the pandemic resulted in restrictions in movement of goods, services, people and business operations.

The directors have considered the impact of this on the financial statements at 31 December 2019 and has concluded this is a non-adjusting event after the reporting period. The directors have monitored trading up to the date of authorising and issuing the financial statements. Despite the ongoing uncertainty, the financial performance for the year commencing 1 January 2020 has been tracking in line with budget. As noted in the strategic report, trading has slowly returned to a degree of normality. However, the directors maintain a cautious outlook due to the ongoing pandemic.

ExcelRedstone Converged Solutions Limited

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

27. 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 group 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 £19,878,689 (31 March 2019 - £22,065,778).

28. 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 85 Great Portland Street, First Floor, London, England, W1W 7LT.