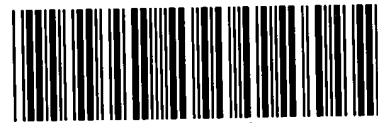


Company Registration No. 05706971 (England and Wales)

STORMAGIC LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021

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STORMAGIC LIMITED

COMPANY INFORMATION

Directors	S Duckworth A Monshaw B Grainger G Hudson-Searle E Thomson D Thomson G Baldock D Beer
Company number	05706971
Registered office	The Quadrant 2430/2440 Aztec West Almondsbury Bristol BS32 4AQ
Auditor	RSM UK Audit LLP Chartered Accountants Hartwell House 55-61 Victoria Street Bristol BS1 6AD

STORMAGIC LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present the strategic report of the StorMagic Group (the "Group") for the year ended 31 March 2021. The Group consists of StorMagic Limited (the company) and its two subsidiaries - StorMagic Inc and KeyNexus Inc.

Principal activities

The principal activity of the business is the design, development and sale of storage and video management software for edge computing environments. In addition to the sale of the software, the business provides technical support services to its customers on fixed term contracts.

Review of the business and future developments

The financial year ended 31 March 2021 was characterised by some uncertainty driven by the COVID-19 pandemic. Despite this, the Group achieved year-on-year growth in respect of turnover, expanding its installed customer base and improving the retention of existing customers. The Group also invested in sales, marketing and products and is emerging from that period of uncertainty with further opportunities for future growth. That investment included the hiring of a new CEO, Dan Beer, post the balance sheet date, as well as strengthening the Board in the year under review with three non-executive directors.

The Group continues to invest in its technology assets to drive its competitive advantage. During the year the Group completed the acquisition of a video management data system from SoleraTec LLC, which complements its existing technologies within the storage and security sectors.

The Directors have considered the carrying value of the goodwill and intellectual property of KeyNexus Inc, acquired in March 2020, in light of its trading performance and have written down the carrying value of the acquired assets by £1,038,918 in line with Generally Accepted Accounting Practice (see note 12 for further information).

Financial key performance indicators

The Group measures various financial KPIs to manage and develop the business to achieve the Group's strategic growth objectives. The most important of these are turnover and cash.

In the period to 31 March 2021 Group Turnover increased by 15% to £6,144,414 (2020: £5,343,740). The Group's cash at bank balance as the balance sheet date was £1,907,097 (2020: £855,662) showing an increase of £1,051,435.

Principal risks and uncertainties

The Group's principal risks and uncertainties relate to:

- Rapid pace of change in technology sector and associated competitive landscape including attraction and retention of staff
- Exposure to global macroeconomic conditions e.g. COVID-19 pandemic
- Managing its cash position to ensure the optimal balance between growth and prudence

Notwithstanding these risks and uncertainties, the directors believe the Group is well placed to continue to grow and realise its strategic goals. The Group continues to proactively invest in innovation, technology, people culture, development and engagement, as well as business growth.

STORMAGIC LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Financial risk management

The Group's principal financial risks are those relating to long-term funding, liquidity and foreign exchange. The aim of the Group's financial risk management policies are to optimise the financial performance by managing and mitigating those risks in the most cost-effective manner.

Whilst the Group can fund its current operations from existing cash resources, the Group's stated objective is a growth strategy. This growth is delivered through reinvesting cash generated by the business into its technology and operations and also by securing external funding. On 27 September 2021, the Group secured an extension to its existing loan facility with Claret Capital Partners, an investment company specialising in provision of debt financing to growth-stage European companies (see note 30 for information). The current debt facility was extended by a further £2,000,000, with the option, at the lenders discretion, of an additional £2,000,000 in 2023. These funds will allow the Group to continue to invest in its technology, sales and marketing areas to achieve its strategic growth plans.

Additionally, as at the date of signing of these financial statements, the Group is seeking additional funding through an equity raise of up to £4,000,000.

The Group is potentially exposed to short term liquidity risk. This risk is partially mitigated through the Group's invoicing methodology as customers pay in full at the point of sale, subject to agreed credit terms (which are typically net 30 days). Additionally, the Group monitors cash flow with rolling 12-week and 18-month forecasts.

The Group has international operations and is therefore exposed to fluctuations in foreign exchange rates. To the extent practicable, the Group employs natural hedges to manage its exposure, matching costs to economic activity.

On behalf of the board



.....
D Beer
Director

Date: 28 January 2022
.....

STORMAGIC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present the financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the Group and company during the period is set out in the strategic report.

Results and dividends

The Group's pre-tax loss for the year was £2,636,647 (2020: loss £1,205,499).

No dividends were paid within the year (2020: £nil).

Research and development

The ongoing development of product and software platforms is crucial to the success of the Group and is regarded as part of the Group's fixed assets. Accordingly, development costs amounting to £896,257 (2020: £810,640) were capitalised during the year.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Duckworth	
A Monshaw	
B Grainger	
J Macmillan	(Resigned 13 May 2021)
G Hudson-Searle	(Appointed 15 April 2020)
E Thomson	(Appointed 15 April 2020)
D Thomson	(Appointed 1 September 2020)
G Baldock	(Appointed 25 May 2021)
D Beer	(Appointed 24 June 2021)

Post reporting date events

On 27 September 2021, the Group extended its current Claret Capital Partners loan facility with a further £2,000,000, with the option at the lenders discretion for an additional £2,000,000 in 2023 (see note 30 for additional information).

Continued impact of 'Covid-19'

At the time of approval of these financial statements, and like with many businesses, the continued existence of Covid-19 has given rise to additional risks and uncertainty. The directors recognise that pandemic response requires activities that go beyond normal business continuity planning, for example assessment of third-party services used in business-critical processes and potential of mass quarantine of local staff, and have considered these risks, taking steps and actions they consider appropriate to minimise the associated impact. These include, but are not limited to, proactively facilitating home-working, updating business continuity plans and monitoring cash-flow forecasts. Following its impact assessment of expected market changes, Stormagic sees reason to be confident that this crisis will accelerate industry and market changes already underway.

Strategic report

The Group has chosen, in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's strategic report, information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of a fair review of the business, future developments and principal risks and uncertainties.

STORMAGIC LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Group's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the Group's auditor is aware of that information.

On behalf of the board



.....

D Beer
Director

Date: 28 January 2022
.....

STORMAGIC LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is in appropriate to presume that the Group will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STORMAGIC LIMITED

Opinion

We have audited the financial statements of StorMagic Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other matter - prior period financial statements not audited

The company was exempt from audit in the year ended 31 March 2020 and consequently the corresponding figures are unaudited.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and reviewing tax computations prepared by tax specialists.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and testing the recognition of a sample of revenue items with reference to the relevant contractual documentation.

A further description of our responsibilities for the audit of the financial statements is located on 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.

T R Morgan

Thomas Morgan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD
28 January 2022
.....

STORMAGIC LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	6,144,414	5,343,740
Cost of sales		(459,524)	(500,740)
Gross profit		5,684,890	4,843,000
Administrative expenses		(7,176,406)	(5,931,222)
Impairment of goodwill	12	(1,038,918)	-
Other operating income		34,852	-
Operating loss	7	(2,495,582)	(1,088,222)
Interest payable and similar expenses	10	(141,065)	(117,277)
Loss before taxation		(2,636,647)	(1,205,499)
Tax on loss	11	269,759	262,279
Loss for the financial year		(2,366,888)	(943,220)
Other comprehensive income net of taxation			
Currency translation differences		266,081	(46,019)
Total comprehensive income for the year		(2,100,807)	(989,239)

Total comprehensive income for the year is all attributable to the owners of the parent company.

STORMAGIC LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Goodwill	12		-	1,776,290	
Other intangible assets	12		3,174,564	2,602,824	
Total intangible assets			3,174,564	4,379,114	
Tangible assets	14		149,681	181,849	
			3,324,245	4,560,963	
Current assets					
Debtors	18	1,535,500		3,348,869	
Cash at bank and in hand		1,907,097		855,662	
			3,442,597	4,204,531	
Creditors: amounts falling due within one year	19	(4,503,666)		(4,973,861)	
Net current liabilities			(1,061,069)	(769,330)	
Total assets less current liabilities			2,263,176	3,791,633	
Creditors: amounts falling due after more than one year	20		(3,930,896)	(4,572,679)	
Net liabilities			(1,667,720)	(781,046)	
Capital and reserves					
Called up share capital	25		864,506	805,992	
Share premium account	26		10,706,237	9,594,471	
Share-based payment reserve	26		1,196,252	1,209,979	
Profit and loss reserves	26		(14,434,715)	(12,391,488)	
Total equity			(1,667,720)	(781,046)	

28 January 2022

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



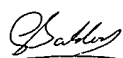
.....
G Baldock
Director

STORMAGIC LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2021**

	Notes	2021		2020 as restated	
		£	£	£	£
Fixed assets					
Intangible assets	12		2,626,976		1,921,874
Tangible assets	14		50,497		69,351
Investments	15		321,849		1,756,608
			<u>2,999,322</u>		<u>3,747,833</u>
Current assets					
Debtors	18	2,176,328		4,104,500	
Cash at bank and in hand		1,661,456		252,173	
			<u>3,837,784</u>		<u>4,356,673</u>
Creditors: amounts falling due within one year	19	<u>(4,263,571)</u>		<u>(4,373,517)</u>	
Net current liabilities			<u>(425,787)</u>		<u>(16,844)</u>
Total assets less current liabilities			<u>2,573,535</u>		<u>3,730,989</u>
Creditors: amounts falling due after more than one year	20		<u>(3,930,896)</u>		<u>(4,280,505)</u>
Net liabilities			<u>(1,357,361)</u>		<u>(549,516)</u>
Capital and reserves					
Called up share capital	25		864,506		805,992
Share premium account	26		10,706,237		9,594,471
Share-based payment reserve	26		875,091		936,294
Other reserves	26		321,161		273,685
Profit and loss reserves	26		<u>(14,124,356)</u>		<u>(12,159,958)</u>
Total equity			<u>(1,357,361)</u>		<u>(549,516)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £1,964,398 (2020: £887,057).

The financial statements were approved by the board of directors and authorised for issue on 28 January 2022 and are signed on its behalf by:



G Baldock
Director

STORMAGIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Share premium account £	Share-based payment reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2019		743,491	9,015,551	1,086,343	(11,402,249)	(556,864)
Year ended 31 March 2020:						
Loss for the year		-	-	-	(943,220)	(943,220)
Other comprehensive income net of taxation:						
Currency translation differences		-	-	-	(46,019)	(46,019)
Total comprehensive income for the year		-	-	-	(989,239)	(989,239)
Issue of share capital	25	62,501	578,920	-	-	641,421
Share-based payments		-	-	123,636	-	123,636
Balance at 31 March 2020		805,992	9,594,471	1,209,979	(12,391,488)	(781,046)
Year ended 31 March 2021:						
Loss for the year		-	-	-	(2,366,888)	(2,366,888)
Other comprehensive income net of taxation:						
Currency translation differences		-	-	-	266,081	266,081
Total comprehensive income for the year		-	-	-	(2,100,807)	(2,100,807)
Issue of share capital	25	58,514	1,111,766	-	-	1,170,280
Share-based payments		-	-	43,853	-	43,853
Share-based payment transfer		-	-	(57,580)	57,580	-
Balance at 31 March 2021		864,506	10,706,237	1,196,252	(14,434,715)	(1,667,720)

STORMAGIC LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Share premium account	Share-based payment reserve	Other reserves	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 April 2019	743,491	9,015,551	906,127	180,216	(11,272,901)	(427,516)
Year ended 31 March 2020:						
Loss and total comprehensive income for the year	-	-	-	-	(887,057)	(887,057)
Issue of share capital 25	62,501	578,920	-	-	-	641,421
Share-based payments	-	-	30,167	93,469	-	123,636
Balance at 31 March 2020	805,992	9,594,471	936,294	273,685	(12,159,958)	(549,516)
Year ended 31 March 2021:						
Loss and total comprehensive income for the year	-	-	-	-	(1,964,398)	(1,964,398)
Issue of share capital 25	58,514	1,111,766	-	-	-	1,170,280
Share-based payments	-	-	(61,203)	47,476	-	(13,727)
Balance at 31 March 2021	864,506	10,706,237	875,091	321,161	(14,124,356)	(1,357,361)

STORMAGIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	27	3,019,895		343,766	
Interest paid		(141,065)		(117,277)	
Income taxes (paid)/refunded		-		297,501	
Net cash inflow from operating activities		2,878,830		523,990	
Investing activities					
Purchase of subsidiary - net of cash acquired		-		17,589	
Purchase of trade and assets - net of cash acquired		(90,041)		-	
Capitalisation of development costs		(896,257)		(812,340)	
Purchase of tangible fixed assets		(27,664)		(46,973)	
Net cash used in investing activities		(1,013,962)		(841,724)	
Financing activities					
Proceeds from issue of shares		-		641,421	
Drawdown of borrowings		-		706,048	
Repayment of borrowings		(872,619)		(158,160)	
Net cash (used in)/generated from financing activities		(872,619)		1,189,309	
Net increase in cash and cash equivalents		992,249		871,575	
Cash and cash equivalents at beginning of year		855,662		18,405	
Effect of foreign exchange rates		59,186		(34,318)	
Cash and cash equivalents at end of year		1,907,097		855,662	

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

StorMagic Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is The Quadrant, 2430/2440 Aztec West, Almondsbury, Bristol, BS32 4AQ.

The Group consists of StorMagic Limited and all of its subsidiaries.

The company's and the Group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate those of StorMagic Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Related party transactions

The Group has taken advantage of the exemption available under Section 33 of FRS 102 and have not disclosed details of transactions or balances with wholly-owned group companies.

Going concern

In the year, the Group made a loss before tax of £2,636,647 which includes a one-off impairment to goodwill of £1,038,918 and has a net current liability position of £1,061,069. The business continues to develop its products for market and to grow its installed customer base. As mentioned in the Strategic Report, the directors have commenced raising additional funds through equity.

To the date of the signing of these accounts, the business continues to trade satisfactorily with no significant adverse cash flow impact.

On 27 September 2021, the Group extended its current Claret Capital Partners loan facility with a further £2,000,000, with the option at the lenders discretion for an additional £2,000,000 in 2023 (see note 30 for additional information).

Additionally, as at the date of signing these financial statements, the Group is seeking an additional equity raise of up to £4,000,000.

The Directors, having taken these steps, believe that the business has sufficient prospect of trade and cash reserves to continue to trade for a period of no less than twelve months from the approval of these accounts. Given the position of the Group at the year end and since then, together with the Group's growth plans, the Directors have prepared these accounts on a going concern basis, and are satisfied that the Group will be able to meet its cash out-flows as they fall due for a period of not less than 12 months from approval of these financial statements.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover from the sale of software licences is recognised when: the significant risks and rewards of ownership of the goods have passed to the buyer (usually on delivery of the licence); the amount of turnover can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover from contracts for the provision of maintenance and support services is recognised over the term of the contract. Typically, consideration for the services is received in advance. This is recognised as deferred income and released to the statement of comprehensive income on a straight line basis over the contract term.

When a sale is made through a reseller, turnover is recognised at the fair value of the net consideration received, being the royalty receivable from the reseller. Resellers are deemed to control the relationship with the end user, resulting in them acting as the principal in the transaction.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software licences	5 years
Development costs	5 years
Patents and trademarks	10 years
Intellectual property	5 years

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	15% reducing balance
Fixtures and fittings	15% reducing balance
Computer equipment	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries, are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and bank overdrafts.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and other loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group. For the time being the group has no plans to pay dividends.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company in other reserves and presented as an increase in the company's investment in the subsidiary.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received in the year are towards staff wage costs under the job retention scheme during COVID-19. The grant is recognised as other operating income over the period necessary to match with the related wage expense.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate on the transaction date. Translation differences are recognised in other comprehensive income and accumulated in equity.

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Share-based payments

The fair value of share-based payments is measured using the Black-Scholes model which inherently makes use of significant estimates and assumptions concerning the future. Such estimates and assumptions include the expected life of the options and the number of employees that will achieve the vesting conditions. Further details of the share option scheme are given in note 6.

Revenue recognition - principal vs agent

Where turnover is generated through a reseller arrangement, the Group recognises the net amount receivable, being the royalty receivable. Management have reviewed the contracting arrangements with resellers and considered the guidance in the accounting standards. The judgement reached by management is that the reseller is the principal in their relationship with the user of the product. A key factor is the reseller is deemed to control the relationship with the user of the software. Accordingly, the net revenue receivable from the reseller (being the royalty payable) is recognised as revenue in the accounts of the Group.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Intangible assets, goodwill and tangible assets

The recoverable amount of goodwill and other intangible assets is based on value in use which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and future earnings growth. Impairment tests carried out have resulted in the impairment of goodwill of £1,038,918.

The assessment of useful economic lives, residual values and the method of depreciating and amortising fixed assets requires judgement. Depreciation and amortisation are charged to profit or loss based on the useful economic life selected, which requires an estimation of the period over which the Group expects to consume the future economic benefits embodied in the assets. The carrying value of intangible and tangible assets in the Group at the year end was £3,174,564 and £149,681 respectively.

Contingent consideration

For business combinations, the Group estimates the fair value of the consideration transferred, which includes assumptions about the future performance of the business acquired and whether the business will meet specified conditions. These fair values are based on future revenues of the acquired business and an agreed value per share.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Sale of goods	2,955,475	3,009,683
Sale of services	3,188,939	2,334,057
	<u>6,144,414</u>	<u>5,343,740</u>
	<u><u>6,144,414</u></u>	<u><u>5,343,740</u></u>
	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	305,919	87,999
Europe	1,416,097	358,677
United States of America	2,658,567	3,362,617
Rest of World	1,763,831	1,534,447
	<u>6,144,414</u>	<u>5,343,740</u>
	<u><u>6,144,414</u></u>	<u><u>5,343,740</u></u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

3 Turnover and other revenue (Continued)

	2021	2020
	£	£
Other income		
Grants received	34,852	-

During the year £34,852 was received from the UK Government under the Coronavirus Job Retention Scheme.

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Total	67	54	47	44

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	4,431,899	3,666,563	2,115,695	2,315,516
Social security costs	425,278	298,872	306,301	231,853
Pension costs	179,949	118,079	127,692	95,872
	<u>5,037,126</u>	<u>4,083,514</u>	<u>2,549,688</u>	<u>2,643,241</u>

5 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	663,462	510,053
Company pension contributions to defined contribution schemes	1,834	9,661
Compensation for loss of office	-	125,000
	<u>665,296</u>	<u>644,714</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

5 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	379,707	266,148

Some directors have received shares in lieu of salary; see note 31 for further details.

The number of directors who exercised share options during the year was: 0 (2020: 1)

6 Share-based payment transactions Group

	Number of share options		Weighted average exercise price	
	2021 Number	2020 Number	2021 £	2020 £
Outstanding at start of year	1,458,386	1,714,719	1.15	1.15
Granted	304,000	92,000	2.00	2.00
Exercised	-	(278,333)	-	1.20
Expired	(263,045)	(70,000)	1.54	1.50
Outstanding at end of year	1,499,341	1,458,386	1.26	1.15
Exercisable at end of year	1,120,786	1,074,386	1.10	1.10
	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Expenses recognised in the year				
Arising from equity settled share-based payment transactions	43,853	123,636	(61,203)	30,167

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

7 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	408,790	34,880
Government grants	(34,852)	-
Depreciation of owned tangible fixed assets	61,383	47,826
Amortisation of intangible assets	1,510,892	1,020,541
Impairment of goodwill	1,038,918	-
Share-based payments	43,853	123,636
Operating lease charges	114,106	77,179
	<u> </u>	<u> </u>

8 Auditor's remuneration

	2021
	£
Fees payable to the company's auditor and associates:	
For audit services	
Audit of the financial statements of the group and company	39,000
	<u> </u>
For other services	
All other non-audit services	12,725
	<u> </u>

9 Research and development expenditure

During the year, the Group incurred research and development costs of £896,257 (2020: £810,640).

10 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and loans	20	568
Other interest on financial liabilities	141,045	116,709
	<u> </u>	<u> </u>
Total finance costs	141,065	117,277
	<u> </u>	<u> </u>

11 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on losses for the current period	(248,440)	(268,233)
Foreign current tax on profits for the current period	1,420	5,954
	<u> </u>	<u> </u>
Total current tax	(247,020)	(262,279)
	<u> </u>	<u> </u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

11 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	(22,739)	-
	<u> </u>	<u> </u>
Total tax credit	(269,759)	(262,279)
	<u> </u>	<u> </u>

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2021 £	2020 £
Loss before taxation	(2,636,647)	(1,205,499)
	<u> </u>	<u> </u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(500,963)	(229,045)
Tax effect of expenses that are not deductible in determining taxable profit	326,308	17,192
Tax effect of income not taxable in determining taxable profit	(11,126)	-
Change in unrecognised deferred tax assets	54,686	64,991
Research and development tax credit	(221,375)	(198,662)
Surrender of tax losses for research and development expenditure	92,762	83,245
Foreign tax	1,420	-
Differences in tax rates	(11,471)	-
	<u> </u>	<u> </u>
Taxation credit	(269,759)	(262,279)
	<u> </u>	<u> </u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

12 Intangible fixed assets

Group	Goodwill	Software licences	Development costs	Patents and trademarks	Intellectual property	Total
	£	£	£	£	£	£
Cost						
At 1 April 2020	1,776,290	67,238	6,023,342	40,903	619,310	8,527,083
Additions - internally developed	-	-	896,257	-	-	896,257
Additions - business combinations	-	-	-	-	830,268	830,268
Disposals	-	-	(2,007,744)	-	-	(2,007,744)
Adjustment (see note 15)	(382,114)	-	-	-	-	(382,114)
Exchange adjustments	-	302	-	547	-	849
At 31 March 2021	1,394,176	67,540	4,911,855	41,450	1,449,578	7,864,599
Amortisation and impairment						
At 1 April 2020	-	10,410	4,136,308	1,251	-	4,147,969
Amortisation charged for the year	355,258	16,403	982,371	2,656	154,204	1,510,892
Impairment losses	1,038,918	-	-	-	-	1,038,918
Disposals	-	-	(2,007,744)	-	-	(2,007,744)
At 31 March 2021	1,394,176	26,813	3,110,935	3,907	154,204	4,690,035
Carrying amount						
At 31 March 2021	-	40,727	1,800,920	37,543	1,295,374	3,174,564
At 31 March 2020	1,776,290	56,828	1,887,034	39,652	619,310	4,379,114

With respect to goodwill, the Directors have assessed its carrying value and concluded that an impairment of £1,038,918 is appropriate given the performance of the acquired product and the likelihood of the business to meet certain targets resulting in the non-performance of tranche conditions forming part of the deferred consideration.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

12 Intangible fixed assets (Continued)

Company	Software licences £	Development costs £	Patents and trademarks £	Intellectual property £	Total £
Cost					
At 1 April 2020	45,250	6,023,342	1,251	-	6,069,843
Additions - internally developed	-	896,257	-	-	896,257
Additions - business combinations	-	-	-	830,268	830,268
Disposals	-	(2,007,744)	-	-	(2,007,744)
At 31 March 2021	45,250	4,911,855	1,251	830,268	5,788,624
Amortisation and impairment					
At 1 April 2020	10,410	4,136,308	1,251	-	4,147,969
Amortisation charged for the year	8,710	982,371	-	30,342	1,021,423
Disposals	-	(2,007,744)	-	-	(2,007,744)
At 31 March 2021	19,120	3,110,935	1,251	30,342	3,161,648
Carrying amount					
At 31 March 2021	26,130	1,800,920	-	799,926	2,626,976
At 31 March 2020	34,840	1,887,034	-	-	1,921,874

More details on the Intellectual property addition of £830,268 can be found in note 17.

The amortisation charge for the year is included within administrative expenses.

13 Impairments

Impairment tests have been carried out which has resulted in an impairment in respect of goodwill of £1,038,918 (2020: £nil). This has been recognised in the profit and loss account in administrative expenses.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

14 Tangible fixed assets

Group	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 April 2020	109,237	79,566	412,505	601,308
Additions	-	-	27,664	27,664
Exchange adjustments	1,506	-	87	1,593
At 31 March 2021	<u>110,743</u>	<u>79,566</u>	<u>440,256</u>	<u>630,565</u>
Depreciation and impairment				
At 1 April 2020	-	43,552	375,907	419,459
Depreciation charged in the year	20,136	6,431	34,816	61,383
Exchange adjustments	-	-	42	42
At 31 March 2021	<u>20,136</u>	<u>49,983</u>	<u>410,765</u>	<u>480,884</u>
Carrying amount				
At 31 March 2021	<u>90,607</u>	<u>29,583</u>	<u>29,491</u>	<u>149,681</u>
At 31 March 2020	<u>109,237</u>	<u>36,014</u>	<u>36,598</u>	<u>181,849</u>
Company				
		Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 April 2020		79,566	406,163	485,729
Additions		-	20,674	20,674
At 31 March 2021		<u>79,566</u>	<u>426,837</u>	<u>506,403</u>
Depreciation and impairment				
At 1 April 2020		43,552	372,826	416,378
Depreciation charged in the year		6,431	33,097	39,528
At 31 March 2021		<u>49,983</u>	<u>405,923</u>	<u>455,906</u>
Carrying amount				
At 31 March 2021		<u>29,583</u>	<u>20,914</u>	<u>50,497</u>
At 31 March 2020		<u>36,014</u>	<u>33,337</u>	<u>69,351</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

15 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	16	-	-	321,849	1,756,608

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost	
At 1 April 2020	1,756,608
Additions	105,069
Adjustments to cost	(439,707)
At 31 March 2021	1,421,970
Impairment	
At 1 April 2020	-
Impairment losses	1,100,121
At 31 March 2021	1,100,121
Carrying amount	
At 31 March 2021	321,849
At 31 March 2020	1,756,608

Amounts of £105,069 (2020: £93,469) were recognised as an increase to cost of investments in respect of equity settled share-based payments granted to employees of group entities.

Adjustments to cost of investments of £439,707 (2020: £nil) represent: (i) the non-performance of deferred consideration conditions, which formed part of the cost of the acquisition of KeyNexus Inc totalling £382,114, and (ii) the lapsing of share-based payments granted to employees totalling £57,593.

The company fully impaired its investment in KeyNexus Inc in line with the annual impairment review. As a result, an impairment charge of £1,100,121 was recognised in the profit and loss account of the company.

16 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Stormagic Inc	525 North Tryon Street, Suite 1600, Charlotte, NC 28202	Storage and security products for edge computing	Ordinary	100.00
KeyNexus Inc	2900-550 Burrard Street, Vancouver, B.C., Canada, V6C 0A3	Encryption-key storage and provisioning services	Ordinary	100.00

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

17 Acquisition

On 11 January 2021 the Group acquired the trade and assets of SoleraTec LLC for consideration of £810,041.

	Book Value £	Adjustments £	Fair Value £
Net assets acquired			
Intangible assets	-	830,268	830,268
Property, plant and equipment	1,290	(1,290)	-
Trade and other payables	(20,227)	-	(20,227)
Total identifiable net assets	<u>(18,937)</u>	<u>828,978</u>	<u>810,041</u>
Goodwill			-
Total consideration			<u>810,041</u>
The consideration was satisfied by:			£
Issue of shares			400,000
Contingent consideration			320,000
Other costs			90,041
			<u>810,041</u>

Intangible assets acquired represents the value of intellectual property acquired.

The consideration paid includes contingent consideration which is included within creditors and split between due within one year and over one year. Contingent consideration has been fair valued and will only be paid on the meeting of certain conditions.

18 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	572,396	2,719,645	570,798	2,716,994
Corporation tax recoverable	567,135	268,233	567,135	268,233
Amounts owed by group undertakings	-	-	828,015	802,239
Other debtors	117,881	85,224	31,929	80,008
Prepayments and accrued income	255,350	275,767	178,451	237,026
	<u>1,512,762</u>	<u>3,348,869</u>	<u>2,176,328</u>	<u>4,104,500</u>
Deferred tax asset (note 22)	22,738	-	-	-
	<u>1,535,500</u>	<u>3,348,869</u>	<u>2,176,328</u>	<u>4,104,500</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

18 Debtors (Continued)

Amounts owed by group undertakings incur an interest rate of 3.5% and are repayable at terms agreed between the group entities.

19 Creditors: amounts falling due within one year

		Group 2021	2020	Company 2021	2020 as restated
	Notes	£	£	£	£
Other borrowings	21	965,538	920,712	635,747	628,538
Trade creditors		258,378	317,731	202,921	281,794
Amounts owed to group undertakings		-	-	241,508	-
Corporation tax payable		23,241	-	-	-
Other taxation and social security		67,239	75,050	67,239	75,050
Deferred income	23	2,743,115	2,287,477	2,739,327	2,267,233
Other creditors		128,104	636,992	128,093	623,343
Accruals and deferred income		318,051	735,899	248,736	497,559
		<u>4,503,666</u>	<u>4,973,861</u>	<u>4,263,571</u>	<u>4,373,517</u>

Included within other creditors is the fair value of the deferred consideration on the acquisition of KeyNexus Inc which occurred in the prior year. Deferred consideration of £9,759 (2020: £609,975) is payable within one year and £nil (2020: £492,306) is payable within two years.

Also included within other creditors due within one year is the fair value of the deferred consideration in relation to deferred consideration in relation to the acquisition of the trade and assets of SoleraTec LLC. £120,000 is payable within one year and £200,000 is payable within two years.

Amounts owed to group undertakings incur an interest rate of 3.5% and are repayable at terms agreed between the group entities under no formal agreement.

During the year ended 31 March 2021, the Directors reviewed the classification and ageing analysis of loan notes owed by the company resulting in a reclassification between other creditors and other borrowings. The restatement for the comparative period has resulted in the following: other creditors due within one year have been reduced from £838,193 to £623,343, other borrowings due within one year have increased from £521,113 to £628,538 and other borrowings due in over one year have increased from £952,443 to £1,059,868.

20 Creditors: amounts falling due after more than one year

		Group 2021	2020	Company 2021	2020 as restated
	Notes	£	£	£	£
Other borrowings	21	434,597	1,352,042	434,597	1,059,868
Deferred income	23	3,296,299	2,728,331	3,296,299	2,728,331
Other creditors		200,000	492,306	200,000	492,306
		<u>3,930,896</u>	<u>4,572,679</u>	<u>3,930,896</u>	<u>4,280,505</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

21 Borrowings

	Group 2021	2020	Company 2021	2020 as restated
	£	£	£	£
Other loans	1,400,135	2,272,754	1,070,344	1,688,406
Payable within one year	965,538	920,712	635,747	628,538
Payable after one year	434,597	1,352,042	434,597	1,059,868

The long-term loans are secured by fixed and floating charges over all of the assets of the company.

On 18 July 2018, the company entered into a fixed term loan facility agreement for £2,000,000 with Harbert European Speciality Lending Company II SARL (now called Claret European Speciality Lending Company II SARL). The loan is repayable over 4.5 years in fixed monthly instalments with the last instalment falling due December 2022 and is secured across all of the company's assets. Interest is charged at 11% per annum. £986,064 was drawn in July 2018, £249,529 in September 2019 and £456,519 in December 2019. A condition precedent of the loan agreement was for the company to issue 152,492 warrant shares with an exercise period of 10 years and a subscription price per share of par, £0.10.

Also included in other loans are loan notes issued as part of the acquisition of KeyNexus Inc. The loan notes are repayable over 2 years and no interest is charged. As at 31 March 2021, £437,216 was outstanding and fully due within one year (2020: £799,198 outstanding of which £399,599 was due within one year and £399,599 was due in over one year).

22 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	Assets 2021	Assets 2020
Group	£	£
Short term timing differences	22,738	-

The company has no deferred tax assets or liabilities.

	Group 2021	Company 2021
Movements in the year:	£	£
Asset at 1 April 2020	-	-
Credit to profit or loss	(22,738)	-
Asset at 31 March 2021	(22,738)	-

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

22 Deferred taxation (Continued)

The deferred tax asset set out above is recognised by a subsidiary within the group and is expected to reverse within 12 months and relates to short term timing differences.

The company and group has further deferred tax assets of £1,173,798 (2020: £1,133,053) of which £356,734 (2020: £378,333) is recognised and offset against deferred tax liabilities arising from fixed asset timing differences.

At the year end, the company and group has unrecognised deferred tax assets of £817,064 (2020: £754,720) arising from tax losses which, based on the uncertainty of utilisation, have not been recognised.

23 Deferred income

	Group	2020	Company	2020
	2021	2020	2021	2020
	£	£	£	£
Deferred income	6,039,414	5,015,808	6,035,626	4,995,564
	<u>6,039,414</u>	<u>5,015,808</u>	<u>6,035,626</u>	<u>4,995,564</u>

Deferred income is included in the financial statements as follows:

Current liabilities	2,743,115	2,287,477	2,739,327	2,267,233
Non-current liabilities	3,296,299	2,728,331	3,296,299	2,728,331
	<u>6,039,414</u>	<u>5,015,808</u>	<u>6,035,626</u>	<u>4,995,564</u>

24 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	179,949	118,079
	<u>179,949</u>	<u>118,079</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At 31 March 2021, included within other creditors, there were unpaid pension contributions of £21,683 (2020: £27,078).

25 Share capital

	Group and Company			
	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary voting of 10p each	8,645,061	8,059,921	864,506	805,992
	<u>8,645,061</u>	<u>8,059,921</u>	<u>864,506</u>	<u>805,992</u>

Ordinary shares carry full rights to vote, receive distributions and to the return of capital on a winding up. All shares rank equally.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

25 Share capital (Continued)

The following shares were issued by the Company:

On 22 May 2020, 334,400 Ordinary Voting shares of 10p were issued with a premium of £1.90 each as part of the consideration for the acquisition of KeyNexus Inc.

On 11 January 2021, 200,000 Ordinary Voting shares of 10p were issued with a premium of £1.90 each as part of the consideration for the acquisition of the trade and assets of SoleraTec LLC.

On 26 March 2021, 18,240 Ordinary Voting shares of 10p each were issued with a premium of £1.90 each as part of the consideration for the acquisition of KeyNexus Inc.

The following shares were granted to employees of the Group in lieu of salary:

On 31 December 2020, 32,500 shares of 10p were issued for £2 per share.

26 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Share-based payment reserve

The cumulative share-based payment expense on shares of the Group issued to employees of the Group.

Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

Other reserves

The other reserve within the company only reflects the cumulative share-based payment expense on shares of the company issued to employees of other Group companies.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

27 Cash generated from group operations

	2021 £	2020 £
Loss for the year after tax	(2,366,888)	(943,220)
Adjustments for:		
Taxation credited	(269,759)	(262,279)
Finance costs	141,065	117,277
Amortisation and impairment of intangible assets	2,549,810	1,020,541
Depreciation and impairment of tangible fixed assets	61,383	47,826
Equity settled share based payment expense	43,853	123,636
Unrealised foreign exchange movements	204,495	-
Movements in working capital:		
Decrease/(increase) in debtors	2,171,369	(2,307,274)
Decrease in creditors	(539,039)	(1,004,635)
Increase in deferred income	1,023,606	3,551,894
Cash generated from operations	<u>3,019,895</u>	<u>343,766</u>

28 Analysis of changes in net funds/(debt) - group

	1 April 2020 £	Cash flows £	Exchange rate movements £	31 March 2021 £
Cash at bank and in hand	855,662	787,754	263,681	1,907,097
Borrowings excluding overdrafts	(2,272,754)	870,761	1,858	(1,400,135)
	<u>(1,417,092)</u>	<u>1,658,515</u>	<u>265,539</u>	<u>506,962</u>

29 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Within one year	51,111	89,416	37,005	65,567
Between one and five years	-	50,988	-	38,247
	<u>51,111</u>	<u>140,404</u>	<u>37,005</u>	<u>103,814</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

30 Events after the reporting date

On 27 September 2021, the Group secured an additional £2,000,000 of funding through Claret Capital Partners, a company that it has existing debt facilities with. These funds will allow the Group to continue to trade and grow for the next 12-18 months as the business continues with its strategic growth plans. A condition precedent of the additional funding was the issue of £240,000 of warrant shares issued at a discount of 20% to the price per share paid by investors on the Group's next equity raise providing this takes place within 12 months of the first drawdown (30 September 2021). If no equity raise takes place within this period, the lender will be entitled to warrants equating to 1% of the company's fully diluted share capital at the date of first drawdown with a subscription price per share of par (£0.10).

Additionally, the Group, at the lenders discretion has the option of a further £2,000,000 in 2023.

31 Related party transactions

During the year, 10,000 Ordinary Voting shares were issued to a director of Stormagic Inc for nil consideration as they were issued in lieu of salary.

The Group has taken advantage of the exemption available under Section 33 of FRS 102 and have not disclosed details of transactions of balances with wholly-owned group companies.

Key management remuneration

The total remuneration of the directors and the members of the Executive Leadership Team, who are considered to be the key management personnel of the Group, was £1,161,940 (2020: £1,109,696), including employer's national insurance of £33,023 (2020: £41,949).