

REDSTOR LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2019



REDSTOR LIMITED

COMPANY INFORMATION

Directors	P D Evans A M Ruane G A Dyson
Registered number	03556110
Registered office	Fourth Floor Abbots House Abbey Street Reading Berkshire RG1 3BD
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading RG1 3JH
Bankers	Barclays Bank PLC 4th Floor Apex Plaza Forbury Road Reading RG1 1AX

REDSTOR LIMITED

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REDSTOR LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2019**

The directors present their report and the audited financial statements for the year ended 30 November 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the audited 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 audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited 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 to enable them to ensure that the audited 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.

Principal activities

The company's principal activity is providing data storage services and solutions.

Results and dividends

The loss for the year, after taxation, amounted to £591,001 (2018 - profit £638,624).

Following the adoption of IFRS15 revenue for the year is £8,807,006 vs £11,639,114 for the year ended November 2018. The impact of the adoption of IFRS 15 can be seen in note 2.

Gross margin has increased significantly as a result of the adoption of IFRS15 to 62% (2018: 45%)

Costs of £65,734 were incurred in the year in relation to an aborted third party acquisition.

Dividends of £Nil (2018: £Nil) were paid in the year.

Directors

The directors who served during the year and up to the date of signing were:

P D Evans
A M Ruane
G A Dyson

REDSTOR LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 NOVEMBER 2019**

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Going Concern

Redstor Limited is part of a group of companies, headed by Celeste Topco Limited. The Group of which the company is a member has sufficient financial resources and has a high level of recurring revenue. As a consequence, the directors of this entity believe that the Group is well placed to manage the business risks inherent in its activities.

At November 2019 financial covenants were breached in respect of the shareholder loan notes held in Celeste Midco Limited (an intermediate parent entity) by the ultimate controlling party, Beech Tree Private Equity Partners LLP. The carrying value of these loan notes at the reporting date was £15,450,680. Subsequent to year end, but before the financial statements were authorised for issue, the breach was waived and new financial covenants were agreed. There was no impact on the classification of these loans notes as no liquidity event occurred upon breach of the financial covenants. The directors of this entity have a reasonable expectation that the Group will operate within its banking covenants and have adequate resources to continue in operational existence for the foreseeable future.

Celeste Topco Limited, has confirmed that it will continue to provide such financial support as necessary to enable the company to meet its financial obligations as they fall due for a period of at least 12 months from the date of signing these financial statements. For this reason the directors of this entity consider it appropriate to prepare the financial statements on a going concern basis.

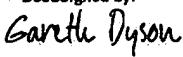
Independent Auditors

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board of Directors and signed on its behalf.

DocuSigned by:

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G A Dyson
Director
Date: 18 December 2020

REDSTOR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REDSTOR LIMITED

Independent auditors' report to the members of Redstor Limited

Report on the audit of the financial statements

Opinion

In our opinion, Redstor Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 November 2019; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

REDSTOR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REDSTOR LIMITED

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 November 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

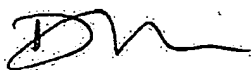
We have no exceptions to report arising from this responsibility.

REDSTOR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REDSTOR LIMITED

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



David Farmer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
18 December 2020

REDSTOR LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	8,807,006	11,639,314
Cost of sales		(3,363,661)	(6,396,094)
Gross profit		5,443,345	5,243,220
Administrative expenses		(5,993,664)	(4,553,314)
Operating (loss)/profit	5	(550,319)	689,906
Interest receivable and similar income	9	1,625	1,049
(Loss)/profit before tax		(548,694)	690,955
Tax on (loss)/profit	10	(42,307)	(52,331)
(Loss)/profit and total comprehensive income for the financial year		(591,001)	638,624

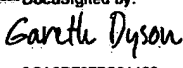
The notes on pages 9 to 30 form part of these financial statements.

REDSTOR LIMITED
REGISTERED NUMBER: 03556110

STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	11	1,432,518	1,223,905
Investments	12	1	1
		<u>1,432,519</u>	<u>1,223,906</u>
Current assets			
Debtors: amounts falling due within one year	13	10,165,752	12,124,965
Cash at bank and in hand	14	785,450	580,369
		<u>10,951,202</u>	<u>12,705,334</u>
Creditors: amounts falling due within one year	15	(8,201,126)	(10,191,098)
Net current assets		<u>2,750,076</u>	<u>2,514,236</u>
Total assets less current liabilities		<u>4,182,595</u>	<u>3,738,142</u>
Provisions for liabilities			
Deferred taxation	16	(55,775)	(13,468)
		<u>(55,775)</u>	<u>(13,468)</u>
Net assets		<u>4,126,820</u>	<u>3,724,674</u>
Capital and reserves			
Called up share capital	17	43,746	43,746
Share premium account	18	17,520	17,520
Profit and loss account	18	4,065,554	3,663,408
Total Equity		<u>4,126,820</u>	<u>3,724,674</u>

The financial statements on page 6 to 30 were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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G A Dyson
 Director
 Date: 18 December 2020

The notes on pages 9 to 30 form part of these financial statements.

REDSTOR LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 December 2017	43,746	17,520	3,024,784	3,086,050
Comprehensive income for the year				
Profit for the year	-	-	638,624	638,624
At 30 November 2018	43,746	17,520	3,663,408	3,724,674
Transition adjustment on adoption of IFRS 15	-	-	169,751	169,751
At 1 December 2018 (adjusted balance)	43,746	17,520	3,833,159	3,894,425
Comprehensive income for the year				
Loss for the financial year	-	-	(591,001)	(591,001)
Distribution on liquidation of group companies	-	-	823,396	823,396
At 30 November 2019	43,746	17,520	4,065,554	4,126,820

The notes on pages 9 to 30 form part of these financial statements.

In the year three companies in the group were voluntarily liquidated, with a final distribution of assets and reserves of these companies being made to Redstor Limited.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

1. General information

Redstor Limited is a private company limited by shares, incorporated in the United Kingdom. Its registered office and principal place of business is Redstor Limited, Fourth Floor, Abbots House, Abbey Street, Reading, RG1 3BD. The company is domiciled in the UK.

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 101 'Reduced Disclosure Framework' and the Companies Act 2006. The accounting policies applied are consistent.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The company is a wholly-owned subsidiary of Redstor Holdings Limited and is included in the consolidated financial statements of Celeste Topco Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

2. Accounting policies (continued)

2.3 IFRS 9

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets, financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS9 Financial Instruments from 1 December 2018 resulted in changes in accounting policies and possible adjustments to the amounts recognised in the financial statements.

Management has reviewed the impact on the company's retained and current earnings and its statement of financial position, specifically in regard to the valuation of financial assets and do not believe it is material and therefore no adjustments have been made and comparative figures have not been restated.

2.4 IFRS 16

IFRS 16 introduces significant changes to accounting for leases.

The Company has chosen to early adopt the new rules retrospectively as of 1 December 2018, but has not restated comparatives for the year ended 30 November 2018, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 December 2018.

Management have assessed in detail the impact of adopting the new standard and have concluded that its impact is immaterial given that there are no leases identified.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

2. Accounting policies (continued)

2.5 IFRS 15

The company has applied IFRS 15 from 1 December 2018 using the cumulative effect method and has applied the following practical expedient :

The company has not retrospectively restated contracts where modification took place before 1 December 2017. Instead the company has reflected the aggregate effect of all modifications that occurred before 1 December 2017 when identifying the satisfied and unsatisfied performance obligations determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

The principal revenue stream of the Company is derived from the sale of software and related services which allow its users to backup, restore, and manage their data across a range of platforms.

For sales of its own software, licence agreements with customers include a pre-defined subscription period during which the customer is entitled to the usage of the products, including updates of the software. The typical length of a subscription period is 12 or 36 months. The software is subject to frequent updates to keep the software current in order for it to be beneficial to the customer and the customer is therefore required to use the updated software during the licence period.

This provides evidence that the licence grants the right to access the software over time and therefore revenue is recognised evenly over the term of the licence. The software licence, together with the unspecified updates, forms a single distinct performance obligation.

The company has further concluded that for sales of 3rd party software and hardware the company is acting as an agent in these transactions and not as a principal and has restated its revenue and costs accordingly. As an agent, Redstor will continue to recognise only the gross profit as revenue, which is a change to previous revenue recognition.

As Redstor have no further obligations with regards to support, all revenue in relation to 3rd party software and hardware is recognised on delivery of goods rather than adjusted over the period of support.

For customer contracts of 12 months or less, costs incurred to acquire these contracts are recognised in full on the commencement of the contracts.

For customer contracts in excess of 12 months, costs incurred to acquire these contracts are recognised over the period of the contract.

Adjustments have been made to both deferred revenue and prepayments to reflect the contracts where the company act as agent rather than principal now recognised in full at the point of invoice rather than deferred over the contract period. In addition the company now recognises only the margin on these transactions in its revenue calculations.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

2. Accounting policies (continued)

Had IFRS 15 not been adopted the impact on the current year would be as follows:

	Current Figures	Reversal of IFRS adjustments	Without adoption of IFRS15
Revenue	8,807,006	1,221,230	10,028,236
Cost of Sales	<u>(3,363,661)</u>	<u>(1,224,047)</u>	<u>(4,587,708)</u>
Gross Profit	<u>5,443,345</u>	<u>(2,817)</u>	<u>5,440,528</u>
Operating costs	<u>(5,993,664)</u>	<u>(346)</u>	<u>(5,994,010)</u>
Loss from operations	<u>(550,319)</u>	<u>(3,163)</u>	<u>(553,482)</u>

For sales of 3rd party software and hardware, where Redstor acts as an agent, costs associated with these sales of £1,221,230 have been netted off against revenue so that Redstor only recognises the gross profit on these sales.

In addition revenue and associated costs that were previously shown in deferred revenue and prepayments of £80,310 and £83,126 have been taken to the profit and loss in the year as revenue is recognised on these items in full in the year and not adjusted and taken over the period of support.

Operating costs were adjusted where costs to acquire contracts are now recognised over the period of the contract rather than on commencement of the contract.

REDSTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019

Adjustments to the balance sheet at the date of initial application are as follows :

	30 November 2018 As originally stated	IFRS 15 Reclassification	IFRS15 Revenue Restatement	IFRS15 Commission Restatement	1 December 2018 as restated.
Assets					
Fixed Assets					
Tangible assets	1,223,905	-	-	-	1,223,905
Investments	1	-	-	-	1
	<u>1,223,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,223,906</u>
Current assets					
Debtors: amounts falling due within one year	10,415,518	-	-	-	10,415,518
Prepayments and accrued income	1,709,447	(62,966)	(1,153,231)	54,690	547,940
Contract assets	-	62,966	-	-	62,966
Cash and other equivalents	580,369	-	-	-	580,369
	<u>12,705,334</u>	<u>-</u>	<u>(1,153,231)</u>	<u>54,690</u>	<u>11,606,793</u>
Total assets	<u>13,929,240</u>	<u>-</u>	<u>(1,153,231)</u>	<u>54,690</u>	<u>12,830,699</u>

REDSTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019

	30 November 2018 as originally stated £	IFRS15 Reclassification £	IFRS15 Revenue Restatement £	IFRS15 Commission restatement £	1 December 2018 as restated £
Liabilities					
Non-current liabilities					
Deferred tax liabilities	13,468	-	-	-	13,468
	<u>13,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,468</u>
Current liabilities					
Trade and other payables	10,191,098	(3,387,820)	-	-	6,803,278
Contract liabilities	-	3,387,820	(1,268,292)	-	2,119,528
	<u>10,191,098</u>	<u>-</u>	<u>(1,268,292)</u>	<u>-</u>	<u>8,922,806</u>
Total liabilities	<u>10,204,566</u>	<u>-</u>	<u>(1,268,292)</u>	<u>-</u>	<u>8,936,274</u>
NET ASSETS	<u>3,724,674</u>	<u>-</u>	<u>115,061</u>	<u>54,690</u>	<u>3,894,425</u>
Issued capital and reserves attributable to owners of the parent					
Share capital	43,746	-	-	-	43,746
Share premium	17,520	-	-	-	17,520
Accumulated losses	<u>3,663,408</u>	<u>-</u>	<u>115,061</u>	<u>54,690</u>	<u>3,833,159</u>
TOTAL EQUITY	<u>3,724,674</u>	<u>-</u>	<u>115,061</u>	<u>54,690</u>	<u>3,894,425</u>

Following the adoption of IFRS15 at 1 December 2018 the following adjustments, reflected above were made :

Deferred income of £3,387,820 and accrued income of £62,966 were split out from Trade and other payables and Prepayments and Accrued Income respectively and reanalysed under the the headings of Contract liabilities and Contract assets.

Revenue included within the contract liabilities balance of £1,268,292 was identified where Redstor is acting as an agent and this is now recognised on delivery and therefore reversed out at 1 December 2018 to retained earnings.

Costs associated with the delivery of £1,153,231 where Redstor has determined it acts as the agent that were held as prepayments have also been recognised

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

at the point of delivery and therefore the net impact of these adjustments is also taken to retained earnings.

For contracts greater than 12 months costs of acquisition of these contracts of £54,690 were identified and taken to prepayments to be released over the remaining term of the contract.

REDSTOR LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019****2.6 Going concern**

Redstor Limited is part of a group of companies, headed by Celeste Topco Limited. The Group of which the company is a member has sufficient financial resources and has a high level of recurring revenue. As a consequence, the directors of this entity believe that the Group is well placed to manage the business risks inherent in its activities.

At November 2019 financial covenants were breached in respect of the shareholder loan notes held in Celeste Midco Limited (an intermediate parent entity) by the ultimate controlling party, Beech Tree Private Equity Partners LLP. The carrying value of these loan notes at the reporting date was £15,450,680. Subsequent to year end, but before the financial statements were authorised for issue, the breach was waived and new financial covenants were agreed. There was no impact on the classification of these loans notes as no liquidity event occurred upon breach of the financial covenants. The directors of this entity have a reasonable expectation that the Group will operate within its banking covenants and have adequate resources to continue in operational existence for the foreseeable future.

Celeste Topco Limited, has confirmed that it will continue to provide such financial support as necessary to enable the company to meet its financial obligations as they fall due for a period of at least 12 months from the date of signing these financial statements. For this reason the directors of this entity consider it appropriate to prepare the financial statements on a going concern basis.

2.7 Foreign currency translation**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

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 profit or loss within 'other operating income'.

2.8 Revenue

On adoption of IFRS 15, revenue on 3rd party and hardware sales is recognised on delivery. Where Redstor acts as an agent it recognises only the gross profit as revenue, which is a change to previous revenue recognition. As Redstor have no further obligations with regards to support, all revenue is recognised on delivery of goods rather than adjusted over the period of support.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

2.8 Revenue (continued)

consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2.9 Interest income

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

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 Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

2.11 Current and deferred taxation

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

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

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

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

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

2.12 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.

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

Depreciation is provided on the following basis:

Freehold property	- 50 years
Freehold improvement	- 10 years
Fixtures and fittings	- 3 years
Computer 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.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

2.13 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.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Receivables are generally written off only once a period of time has elapsed since the final bill. Contractual due dates range from falling due in 30 days from receipt to falling due 60 days from receipt.

The most significant assumption included within the expected credit loss provision that gives rise to estimation uncertainty is that future performance will be reflective of past performance and there will be no significant change in the payment profile or recovery rate. To address this risk the company reviews all receivables on a monthly basis.

2.14 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.

2.15 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 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 Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that effect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount of values may vary in certain instances from the assumptions and estimates made.

JUDGMENTS

IFRS15

In applying IFRS15 for the first time management has judged whether the company acts as an agent or principal during the course of its business:

i) Where Redstor is supplying 3rd party software and/or hardware it has concluded in these cases that it never takes control of the goods or fulfills any part of the contract directly and therefore has no inventory risk. In these instances Redstor is acting as the agent rather than the principal and is therefore only recognising the margin on these sales.

ii) For sales of its own software Redstor has judged that it acts as the principal and recognises the revenue from these contracts over the period of the contract. For all revenue recognition there is a contract in place and a clearly identifiable history of invoice and payment.

IFRS9

For all intercompany balances repayable on demand the expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the group does not have sufficient accessible highly liquid assets in order to repay the loans at the reporting date, repayment is required over time. Management are satisfied that the intercompany positions are all supported by cash generating operating entities which would generate sufficient returns over time, or at the time of an exit event.

Given these loans are interest free management have determined that the impact of discounting the loans over the expected repayment period would be immaterial.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Data storage and protection services and solutions	<u>8,807,006</u>	<u>11,639,314</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	<u>8,807,006</u>	<u>11,639,314</u>

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

5. Operating (loss)/profit

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

	2019	2018
	£	£
Depreciation of tangible fixed assets	512,631	350,710
Exchange differences	8,973	3,774
	521,604	354,484

6. Auditors' remuneration

	2019	2018
	£	£
Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements	17,500	17,500
Fees payable to the Company's auditors and its associates in respect of:		
Taxation compliance services	1,800	3,179
	1,800	3,179

7. Employees

	2019	2018
	£	£
Wages and salaries	1,753,499	1,433,856
Social security costs	201,048	172,319
Cost of defined contribution scheme	53,068	40,234
	2,007,615	1,646,409

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

	2019	2018
	No.	No.
General and administration	6	7
Operations	13	10
Sales and marketing	15	13
	34	30

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

8. Directors' remuneration

The directors were remunerated through another group company in both 2019 and 2018. It is not practical to identify the costs per group company. In the year there were 3 (2018: 3) Directors in office.

9. Interest receivable and similar income

	2019 £	2018 £
Bank interest receivable	1,625	1,049
	1,625	1,049
	1,625	1,049

10. Tax on (loss)/profit

	2019 £	2018 £
Current taxation		
Adjustments in respect of previous periods	-	10,554
	-	10,554
	-	10,554
Total current taxation	-	10,554
Deferred taxation		
Origination and reversal of timing differences	21,885	(61,032)
Adjustment in respect of previous periods	20,422	102,809
	42,307	41,777
Total deferred taxation	42,307	41,777
Tax on (loss)/profit	42,307	52,331

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

10. Tax on (loss)/profit (continued)**Factors affecting tax charge for the year**

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

	2019 £	2018 £
(Loss)/profit before tax	(548,694)	690,955
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(104,252)	131,281
Effects of:		
Expenses not deductible for tax purposes	1,900	7,661
Fixed asset differences	69,785	(6,042)
Adjustments to tax charge in respect of prior periods	-	10,554
Short term timing difference leading to an increase (decrease) in taxation	308	-
Deferred tax adjustments	42,307	41,777
Group relief	32,259	(132,900)
Total tax charge for the year	42,307	52,331

Factors that may affect future tax charges

The Finance (No.2) Act 2015 provided that the main rate of corporation tax as of 1 April 2017 will be 19% and per the Finance Bill 2016 as of 1 April 2020 will be 17%. These reductions were substantively enacted at the balance sheet date and have been used to calculate the deferred tax balances.

Post the balance sheet date, on 17 March 2020 as part of the Spring Budget, the UK government announced that the main rate of corporation tax will no longer reduce to 17% as at 1 April 2020 but will remain at 19%. The change in the main rate of corporation tax is enacted from 17 March 2020 and will have an impact on the valuation of the Company's deferred tax balances. The Company's deferred tax balances will be remeasured post balance sheet date.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

11. Tangible assets

	Freehold property £	Freehold improve-ments £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 December 2018	541,407	240,298	61,414	2,350,473	3,193,592
Additions	-	152,219	2,949	566,076	721,244
Transfers intra group	-	-	917	56,350	57,267
At 30 November 2019	<u>541,407</u>	<u>392,517</u>	<u>65,280</u>	<u>2,972,899</u>	<u>3,972,103</u>
Depreciation					
At 1 December 2018	46,688	176,932	59,025	1,687,042	1,969,687
Charge for the year on owned assets	6,617	23,304	2,793	479,917	512,631
Transfers intra group	-	-	917	56,350	57,267
At 30 November 2019	<u>53,305</u>	<u>200,236</u>	<u>62,735</u>	<u>2,223,309</u>	<u>2,539,585</u>
Net book value					
At 30 November 2019	<u>488,102</u>	<u>192,281</u>	<u>2,545</u>	<u>749,590</u>	<u>1,432,518</u>
At 30 November 2018	<u>494,719</u>	<u>63,366</u>	<u>2,389</u>	<u>663,431</u>	<u>1,223,905</u>

In the year various assets were transferred from voluntarily liquidated group companies to Redstor as part of the final distribution of those company's assets.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

12. Investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 December 2018	1
At 30 November 2019	1
Net book value	
At 30 November 2019	1
At 30 November 2018	1

Subsidiary undertaking

The company had one subsidiary at 30 November 2019 and 30 November 2018, being Centrastor Limited, which was dormant throughout both the current and prior years. Centrastor Limited is incorporated in the UK, and 100% of the ordinary share capital is owned by the company. Its registered office is Fourth Floor Abbots House, Abbey Street, Reading, Berkshire, RG1 3BD.

13. Debtors amounts falling due within one year

	2019 £	2018 £
Trade debtors	1,123,648	939,718
Amounts owed by group undertakings	8,261,501	9,259,576
Other debtors	457,813	7,931
Prepayments and accrued income	262,165	1,709,447
Tax recoverable	(185)	208,293
Contract assets	60,810	-
	10,165,752	12,124,965

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

13. Debtors amounts falling due within one year (continued)

Amounts owed by group undertakings are payable on demand, they are not secured and there is no interest payable on them.

Following the adoption of IFRS 15 from 1 December 18, management has reviewed its contracts and has concluded that for sales of third party software where Redstor never takes control of goods nor fulfills any part of the contract directly; there is no inventory risk, and the flexibility to apply margins is limited Redstor acts as agent rather than principal. This approach has impacted the contract assets as costs previously prepaid are now expensed in the year in which they are incurred. The impact of the adoption of IFRS 15 on contract assets is shown in note 2.

At 30 November 2019 costs related to the acquisition of contracts of £55,036 have been capitalised.

Costs brought forward of £31,692 in relation to the acquisition of contracts were unwound in the year.

Prepayments and accrued income at 30 November 2018 included £1,153,231 of accrued income which is now recognised under IFRS 15 at the point of delivery and was adjusted at 1 December 2018.

14. Cash at bank and in hand

	2019	2018
	£	£
Cash at bank and in hand	785,450	580,369
	785,450	580,369

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	519,378	430,557
Amounts owed to group undertakings	5,288,733	5,314,537
Corporation tax	37,691	-
Other taxation and social security	150,293	364,001
Accruals and deferred revenue	211,050	4,082,003
Contract liabilities	1,993,981	-
	8,201,126	10,191,098

Amounts owed to group undertakings are payable on demand, they are not secured and there is no interest payable on them.

Revenue of £2,093,083 was recognised in the year that was included in the contract liability balance at the beginning of the period. Revenue recognition matches fulfillment of performance obligations such that the unwind of contract liabilities is consistent with the fulfillment. In the period there was no revenue recognised from performance obligations satisfied in previous periods.

Contract liabilities of £1,993,981 (2018: £3,387,820) have been recognised at 30 November 2019. Following the adoption of IFRS 15 at 1 December 2018 the comparative value for 1 November 2018 classified as deferred revenue is £2,119,528. There are no significant changes to report in the period.

16. Deferred taxation

	2019 £	2018 £
At beginning of year	(13,468)	28,309
Charged to profit or loss	(42,307)	(41,777)
At end of year	(55,775)	(13,468)

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

16. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2019	2018
	£	£
Accelerated capital allowances	-	9,205
Timing differences	(55,775)	(22,673)
	<u>(55,775)</u>	<u>(13,468)</u>

Timing differences are made up of £(59,143) (2018: £(11,005)) of Long term differences and £3,368 (2018: £(2,462)) of short term differences.

17. Called up share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
43,745,907 (2018 - 43,745,907) "A" Ordinary Shares shares of £0.001 each	43,746	43,746
	<u>43,746</u>	<u>43,746</u>

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

18. Reserves

Share premium account

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

Profit and loss account

The profit and loss account comprises all gains and losses in the current and previous years.

19. Pension commitments

A defined contribution pension scheme is operated by the company for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contribution payable by the company to the fund and amounted to £53,068 (2018: £40,234). Once the contributions have been paid the company has no further obligations.

20. Related party transactions

The company has taken advantage of exemption available under FRS 101 from the requirement to disclose transactions with other group entities.

21. Events after the reporting date

The global market is currently undergoing significant disruption due to Covid-19. There remains a medium terms risk of further disruption related to Covid-19 and long terms risk of significant economic disruption. Our business is built by design to operate effectively in remote scenarios. As such the immediate impact of restriction on movement of our personnel has been minimal. Our customer base is spread across many industries and sectors, resulting in relatively minimal exposure to industries which may have been particularly badly affected. The nature of our services leaves us well placed to support customers making a rapid move to cloud services.

After 8 months of ongoing global economic disruption Redstor's business remains robust. Management constantly review the situation with regard to both local disruption and more widely the impact on its customers. Currently the impact is minimal.

REDSTOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

22. Controlling party

The immediate parent company is Redstor Holdings Limited, which is registered in England.

The ultimate parent company is Celeste Topco Limited which is registered in England.

The ultimate controlling party is Beechtree Private Equity LP by virtue of its controlling interest in the issued share capital of Celeste Topco Limited.

The smallest and largest group for which consolidated accounts have been prepared is that headed by Celeste Topco Limited. Copies of the group accounts can be obtained from Companies house or from the registered office.