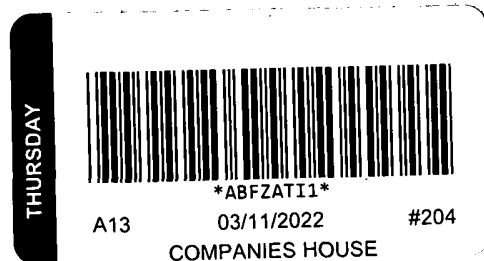


Company Registration No. 05706971 (England and Wales)

STORMAGIC LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2022



STORMAGIC LIMITED

COMPANY INFORMATION

Directors	S Duckworth A Monshaw B Grainger G Hudson-Searle E Thomson D Thomson D Beer H O'Sullivan
Company number	05706971
Registered office	The Quadrant 2430/2440 Aztec West Almondsbury Bristol BS32 4AQ
Auditor	RSM UK Audit LLP Chartered Accountants 2nd Floor 1 The Square Temple Quay Bristol BS1 6DG

STORMAGIC LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The Directors present the strategic report of the StorMagic Group (the "Group") for the year ended 31 March 2022. 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 2022 saw mixed results across the business. Whilst revenues at £6.4m were 3% above that of the prior year, bookings of £7m in the year were down on prior year and plan, partly due to the global supply chain issues and in particular chip shortages, which resulted in one significant opportunity now falling within FY'23. Notwithstanding, the business continues to see high growth from its OEM channel, which is a key focus for the business going into FY'23 with the hire of a dedicated OEM focused sales director.

The Group's industry recognition continues to be exceptional, with a number of awards and articles in the year continuing to drive the brand and customer demand. Two awards of particular significance are its Gartner magic quadrant position, and CRN's annual Storage 100 list as a Top 20 Coolest Data Management Vendor.

The Group continues to seek funding for growth capital to grow its sales and marketing and to innovate its products, to deliver shareholder liquidity. The plan for FY'22 was to secure £2million in venture debt funding and up to an additional £4million in equity capital through the issuance of ordinary shares. The business successfully secured the £2million in debt funding (£1million in September 2021 and £1million in March 2022) but has to date raised only £1million of equity. The Board continue to engage with numerous potential investors to secure additional funding.

The Board recognises that the business is operating in uncertain times, not least the macro environment with COVID-19, challenging retention and hiring in the marketplace, and geopolitical tensions. Events have affected stock markets and company valuations in the first half of calendar year 2022, so while the Group has ingredients for growth, the Directors are aware of the operational and macro challenges that the business faces. In that context cash management is a key focus as is securing sufficient capital to ensure the company can grow. The business is therefore continually evaluating the overall cost structure of the business to preserve cash yet maintain growth in the meantime.

Financial key performance indicators

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

In the period to 31 March 2022 Group turnover increased by 3% to £6,355,573 (2021: £6,144,414). The Group's cash at bank balance as the balance sheet date was £2,052,291 (2021: £1,907,097).

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 and geopolitical tensions
- Managing its cash position to ensure the optimal balance between growth and profit

Notwithstanding these risks and uncertainties, the directors believe the Group is well-placed to continue to grow and realise its strategic goals.

STORMAGIC LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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. The cash required to fund this strategy comes from a combination of debt and equity.

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 20 for information). The existing debt facility was extended by a further £2 million, with the option, at the lender's discretion, of an additional £2 million in 2023. The Group made a £1 million drawdown in September 2021 and a further £1m drawdown in March 2022.

Additionally, the Group is actively raising equity of up to £4million. During the financial year, existing shareholders invested £196,962 in the Group. Subsequent to year-end and up to the date of signing these financial statements, the Group raised a further £807,130, and continues to speak to potential investors.

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 October 2022
.....

STORMAGIC LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present the financial statements for the year ended 31 March 2022.

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 £2,774,496 (2021: loss £2,636,647).

No dividends were paid within the year (2021: £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 £1,423,428 (2021: £896,257) 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

E Thomson

D Thomson

D Beer

(Appointed 24 June 2021)

G Baldock

(Appointed 27 May 2021 and resigned 21 July 2022)

H O'Sullivan

(Appointed 4 February 2022)

Post reporting date events

Subsequent to the year-end the Group and company raised £807,130 of ordinary share capital at £3 per share under its latest funding round.

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 2022**

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 October 2022
.....

STORMAGIC LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

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

Company law requires the directors to prepare group and company 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).

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 each of the group and company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company 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 group and the company 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 2022 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 2022 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 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.

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.

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

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.

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 frameworks 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.

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

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.

TR Morgan

Thomas Morgan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
2nd Floor
1 The Square
Temple Quay
Bristol
BS1 6DG
31 October 2022
.....

STORMAGIC LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	3	6,355,573	6,144,414
Cost of sales		(565,180)	(459,524)
Gross profit		5,790,393	5,684,890
Administrative expenses		(8,432,136)	(7,176,406)
Impairment of goodwill	12	-	(1,038,918)
Other operating income		-	34,852
Operating loss	7	(2,641,743)	(2,495,582)
Interest receivable and similar income		4	-
Interest payable and similar expenses	10	(132,757)	(141,065)
Loss before taxation		(2,774,496)	(2,636,647)
Tax on loss	11	579,918	269,759
Loss for the financial year		(2,194,578)	(2,366,888)
Other comprehensive income net of taxation			
Currency translation differences		(96,583)	266,081
Total comprehensive income for the year		(2,291,161)	(2,100,807)

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 2022**

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Intangible assets	12		2,715,746		3,174,564
Tangible assets	14		92,012		149,681
			<u>2,807,758</u>		<u>3,324,245</u>
Current assets					
Debtors	17	1,534,128		1,535,500	
Cash at bank and in hand		2,052,291		1,907,097	
		<u>3,586,419</u>		<u>3,442,597</u>	
Creditors: amounts falling due within one year	18	(4,567,646)		(4,503,666)	
Net current liabilities			<u>(981,227)</u>		<u>(1,061,069)</u>
Total assets less current liabilities			1,826,531		2,263,176
Creditors: amounts falling due after more than one year	19		(5,334,643)		(3,930,896)
Net liabilities			<u>(3,508,112)</u>		<u>(1,667,720)</u>
Capital and reserves					
Called up share capital	24		874,072		864,506
Share premium account	25		10,953,634		10,706,237
Share-based payment reserve	25		1,390,058		1,196,252
Profit and loss reserves	25		(16,725,876)		(14,434,715)
Total equity			<u>(3,508,112)</u>		<u>(1,667,720)</u>

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



D Beer
Director

STORMAGIC LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Intangible assets	12		2,706,092		2,626,976
Tangible assets	14		76,717		50,497
Investments	15		539,525		321,849
			<u>3,322,334</u>		<u>2,999,322</u>
Current assets					
Debtors	17	1,342,571		2,176,328	
Cash at bank and in hand		1,120,320		1,661,456	
		<u>2,462,891</u>		<u>3,837,784</u>	
Creditors: amounts falling due within one year	18	<u>(4,438,780)</u>		<u>(4,263,571)</u>	
Net current liabilities			<u>(1,975,889)</u>		<u>(425,787)</u>
Total assets less current liabilities			<u>1,346,445</u>		<u>2,573,535</u>
Creditors: amounts falling due after more than one year	19		<u>(4,190,800)</u>		<u>(3,930,896)</u>
Net liabilities			<u>(2,844,355)</u>		<u>(1,357,361)</u>
Capital and reserves					
Called up share capital	24		874,072		864,506
Share premium account	25		10,953,634		10,706,237
Share-based payment reserve	25		851,222		875,091
Other reserves	25		538,836		321,161
Profit and loss reserves	25		<u>(16,062,119)</u>		<u>(14,124,356)</u>
Total equity			<u>(2,844,355)</u>		<u>(1,357,361)</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 £1,937,763 (2021: £1,964,398).

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



D Beer
Director

STORMAGIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share capital £	Share premium account £	Share-based payment reserve £	Profit and loss reserves £	Total £
Balance at 1 April 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	24	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)
Year ended 31 March 2022:						
Loss for the year		-	-	-	(2,194,578)	(2,194,578)
Other comprehensive income net of taxation:						
Currency translation differences		-	-	-	(96,583)	(96,583)
Total comprehensive income for the year		-	-	-	(2,291,161)	(2,291,161)
Issue of share capital	24	9,566	247,397	-	-	256,963
Share-based payments		-	-	193,806	-	193,806
Balance at 31 March 2022		874,072	10,953,634	1,390,058	(16,725,876)	(3,508,112)

STORMAGIC LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

Notes	Share capital £	Share premium account £	Share-based payment reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 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 24	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)
Year ended 31 March 2022:						
Loss and total comprehensive income for the year	-	-	-	-	(1,937,763)	(1,937,763)
Issue of share capital 24	9,566	247,397	-	-	-	256,963
Share-based payments	-	-	(23,869)	217,675	-	193,806
Balance at 31 March 2022	874,072	10,953,634	851,222	538,836	(16,062,119)	(2,844,355)

STORMAGIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	26	27,157		3,019,895	
Interest paid		(132,757)		(141,065)	
Income taxes refunded/(paid)		574,154		-	
Net cash inflow from operating activities		468,554		2,878,830	
Investing activities					
Purchase of intangible assets		(37,800)		-	
Purchase of trade and assets - net of cash acquired		-		(90,041)	
Capitalisation of development costs		(1,423,428)		(896,257)	
Purchase of tangible fixed assets		(105,238)		(27,664)	
Interest received		4		-	
Net cash used in investing activities		(1,566,462)		(1,013,962)	
Financing activities					
Proceeds from issue of shares		196,962		-	
Drawdown of borrowings		1,984,735		-	
Repayment of borrowings		(965,659)		(872,619)	
Net cash generated from/(used in) financing activities		1,216,038		(872,619)	
Net increase in cash and cash equivalents		118,130		992,249	
Cash and cash equivalents at beginning of year		1,907,097		855,662	
Effect of foreign exchange rates		27,064		59,186	
Cash and cash equivalents at end of year		2,052,291		1,907,097	

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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.

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 prior year were consolidated using the purchase method and results were incorporated from the date that control passed.

All financial statements are made up to 31 March 2022. 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.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

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

During the year, the group made a loss before other comprehensive income of £2,194,578 (2021: loss of £2,366,888) and is in a net liability position of £3,508,112 (2021: £1,667,720).

The directors 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 business 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.

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.

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.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

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.

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 straight line
Development costs	5 years straight line
Patents and trademarks	10 years straight line
Intellectual property	5 years straight line

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.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

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.

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.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

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.

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.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

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 prior year were towards staff wage costs under the job retention scheme during COVID-19. The grant was recognised as other operating income over the period necessary to match with the related wage expense. No grants were received in the year ended 31 March 2022.

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:

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 2022

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 and tangible assets

The recoverable amount of intangible assets is based on value in use which requires estimates in respect of the allocation of intangible assets 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 intangible assets of £378,017 (2021: £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 £2,715,746 (2021: £3,174,564) and £92,012 (2021: £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.

During the year, the assessment of whether contingent consideration conditions being met was altered and reduced by £200k, with the associated value of intellectual property from the business combination in the prior year also reduced (see note 12).

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.

Development costs

The group and company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following: technical feasibility of completing the development; the intention and ability to sell or use the developed product; that the development will generate probable future economic benefits; and the ability to reliably measure the development expenditure.

There is judgement and estimation involved in assessing which costs meets the above requirements of development. In particular, the majority of development costs relate to a proportion of the costs for specific staff members, and there is estimation involved in determining the specific proportion of time spent on development. In 2022, £1,423,428 was capitalised as development costs (2021: £896,257).

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Sale of goods	2,762,628	2,955,475
Sale of services	3,592,945	3,188,939
	<u>6,355,573</u>	<u>6,144,414</u>
	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	284,444	305,919
Europe	1,515,764	1,416,097
United States of America	3,725,040	2,658,567
Rest of World	830,325	1,763,831
	<u>6,355,573</u>	<u>6,144,414</u>
	2022	2021
	£	£
Other income		
Interest income	4	-
Grants received	-	34,852
	<u>-</u>	<u>34,852</u>

During the year £nil was received from the UK Government under the Coronavirus Job Retention Scheme (2021: £34,852).

4 Employees

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

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Total	<u>68</u>	<u>67</u>	<u>45</u>	<u>47</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

4 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	5,879,428	4,431,899	2,851,981	2,115,695
Social security costs	443,745	425,278	293,511	306,301
Pension costs	151,217	179,949	95,079	127,692
	<u>6,474,390</u>	<u>5,037,126</u>	<u>3,240,571</u>	<u>2,549,688</u>

5 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	726,733	663,462
Company pension contributions to defined contribution schemes	8,142	1,834
	<u>734,875</u>	<u>665,296</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2021 - 1).

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

	2022 £	2021 £
Remuneration for qualifying services	<u>262,413</u>	<u>379,707</u>

The number of directors who exercised share options during the year was: 0 (2021: 0)

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

6 Share-based payment transactions Group	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at start of year	1,499,341	1,458,386	1.26	1.15
Granted	700,445	304,000	3.00	2.00
Expired	(220,720)	(263,045)	1.80	1.54
Outstanding at end of year	<u>1,979,066</u>	<u>1,499,341</u>	<u>1.90</u>	<u>1.26</u>
Exercisable at end of year	<u>1,169,899</u>	<u>1,120,786</u>	<u>1.22</u>	<u>1.10</u>
	Group	2021	Company	2021
	2022	2021	2022	2021
	£	£	£	£
Expenses recognised in the year				
Arising from equity settled share-based payment transactions	<u>193,806</u>	<u>43,853</u>	<u>(23,869)</u>	<u>(61,203)</u>
7 Operating loss			2022	2021
			£	£
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			(144,650)	408,790
Government grants			-	(34,852)
Depreciation of owned tangible fixed assets			65,020	61,383
Loss on disposal of tangible fixed assets			82,141	-
Amortisation of intangible assets			1,346,550	1,510,892
Impairment of intangible assets			378,017	1,038,918
Share-based payments			193,806	43,853
Operating lease charges			<u>193,762</u>	<u>114,106</u>
8 Auditor's remuneration			2022	2021
Fees payable to the company's auditor and associates:			£	£
For audit services				
Audit of the financial statements of the group and company			<u>45,500</u>	<u>39,000</u>
For other services				
All other non-audit services			<u>39,050</u>	<u>12,725</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

9 Research and development expenditure

During the year, the Group incurred research and development costs of £1,423,428 (2021: £896,257).

10 Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank overdrafts and loans	1	20
Other interest on financial liabilities	132,756	141,045
	<u>132,757</u>	<u>141,065</u>
Total finance costs	<u>132,757</u>	<u>141,065</u>

11 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on losses for the current period	(430,527)	(248,440)
Adjustments in respect of prior periods	945	-
	<u>(429,582)</u>	<u>(248,440)</u>
Total UK current tax	<u>(429,582)</u>	<u>(248,440)</u>
<i>Foreign current tax on profits for the current period</i>	-	1,420
Adjustments in foreign tax in respect of prior periods	(135,000)	-
	<u>(564,582)</u>	<u>(247,020)</u>
Total current tax	<u>(564,582)</u>	<u>(247,020)</u>
Deferred tax		
Origination and reversal of timing differences	(15,336)	(22,739)
	<u>(15,336)</u>	<u>(22,739)</u>
Total tax credit	<u>(579,918)</u>	<u>(269,759)</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

11 Taxation (Continued)

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:

	2022 £	2021 £
Loss before taxation	(2,774,496)	(2,636,647)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(527,154)	(500,963)
Tax effect of expenses that are not deductible in determining taxable profit	6,343	326,308
Tax effect of income not taxable in determining taxable profit	-	(11,126)
Change in unrecognised deferred tax assets	590,874	54,686
Research and development tax credit	(524,688)	(128,613)
Under/(over) provided in prior years	(134,027)	-
Foreign tax	5,986	1,420
Differences in tax rates	2,748	(11,471)
Taxation credit	(579,918)	(269,759)

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

12 Intangible fixed assets

Group	Goodwill	Software licences	Development costs	Patents and trademarks	Intellectual property	Total
	£	£	£	£	£	£
Cost						
At 1 April 2021	1,394,176	67,540	4,911,855	41,450	1,449,578	7,864,599
Additions - internally developed	-	37,800	1,423,428	-	-	1,461,228
Disposals	-	-	(1,127,218)	-	-	(1,127,218)
Exchange adjustments	-	1,291	-	1,230	-	2,521
Adjustment to cost	-	-	-	-	(200,000)	(200,000)
At 31 March 2022	1,394,176	106,631	5,208,065	42,680	1,249,578	8,001,130
Amortisation and impairment						
At 1 April 2021	1,394,176	26,813	3,110,935	3,907	154,204	4,690,035
Amortisation charged for the year	-	31,688	1,041,613	3,755	269,494	1,346,550
Impairment losses	-	-	-	-	378,017	378,017
Disposals	-	-	(1,127,218)	-	-	(1,127,218)
Exchange adjustments	-	676	-	-	(2,676)	(2,000)
At 31 March 2022	1,394,176	59,177	3,025,330	7,662	799,039	5,285,384
Carrying amount						
At 31 March 2022	-	47,454	2,182,735	35,018	450,539	2,715,746
At 31 March 2021	-	40,727	1,800,920	37,543	1,295,374	3,174,564

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

12 Intangible fixed assets (Continued)

Company	Software licences £	Development costs £	Patents and trademarks £	Intellectual property £	Total £
Cost					
At 1 April 2021	45,250	4,911,855	1,251	830,268	5,788,624
Additions - internally developed	37,800	1,423,428	-	-	1,461,228
Disposals	-	(1,127,218)	-	-	(1,127,218)
Transfers from group company	-	-	41,429	577,860	619,289
Adjustment to cost	-	-	-	(200,000)	(200,000)
At 31 March 2022	83,050	5,208,065	42,680	1,208,128	6,541,923
Amortisation and impairment					
At 1 April 2021	19,120	3,110,935	1,251	30,342	3,161,648
Amortisation charged for the year	26,130	1,041,613	3,755	269,494	1,340,992
Impairment losses	-	-	-	336,567	336,567
Disposals	-	(1,127,218)	-	-	(1,127,218)
Transfers from group company	-	-	2,656	121,186	123,842
At 31 March 2022	45,250	3,025,330	7,662	757,589	3,835,831
Carrying amount					
At 31 March 2022	37,800	2,182,735	35,018	450,539	2,706,092
At 31 March 2021	26,130	1,800,920	-	799,926	2,626,976

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

The transfer relates to the movement of intellectual property from a subsidiary to the company in the year.

Adjustment to cost relates to a reduction in the value of Intellectual Property due to conditions of the original purchase not being met.

13 Impairments

An impairment test was carried out in the prior year which resulted in an impairment in respect of goodwill of £1,038,918. As a result goodwill was fully impaired at the start of the current year. This was recognised in the profit and loss account in administrative expenses.

Impairment tests have also been carried out which has resulted in an impairment in respect of intellectual property of £378,017 (2021: £nil) in the group, of which £336,567 (2021: £nil) relates to the company. 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 2022

14 Tangible fixed assets

Group	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 April 2021	110,743	79,566	440,256	630,565
Additions	-	-	105,238	105,238
Disposals	(117,159)	(26,943)	-	(144,102)
Exchange adjustments	6,416	-	652	7,068
At 31 March 2022	-	52,623	546,146	598,769
Depreciation and impairment				
At 1 April 2021	20,136	49,983	410,765	480,884
Depreciation charged in the year	7,098	15,072	42,850	65,020
Eliminated in respect of disposals	(27,528)	(12,432)	-	(39,960)
Exchange adjustments	294	-	519	813
At 31 March 2022	-	52,623	454,134	506,757
Carrying amount				
At 31 March 2022	-	-	92,012	92,012
At 31 March 2021	90,607	29,583	29,491	149,681
Company				
		Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 April 2021		79,566	426,837	506,403
Additions		-	92,508	92,508
Disposals		(26,943)	-	(26,943)
At 31 March 2022		52,623	519,345	571,968
Depreciation and impairment				
At 1 April 2021		49,983	405,923	455,906
Depreciation charged in the year		15,072	36,705	51,777
Eliminated in respect of disposals		(12,432)	-	(12,432)
At 31 March 2022		52,623	442,628	495,251
Carrying amount				
At 31 March 2022		-	76,717	76,717
At 31 March 2021		29,583	20,914	50,497

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

15 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	16	-	-	539,525	321,849

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 April 2021	1,421,970
Additions	217,676
At 31 March 2022	1,639,646
Impairment	
At 1 April 2021 and 31 March 2022	1,100,121
Carrying amount	
At 31 March 2022	539,525
At 31 March 2021	321,849

Amounts of £217,676 (2021: £105,069) were recognised as an increase to cost of investments in respect of equity settled share-based payments granted to employees of group entities.

16 Subsidiaries

Details of the company's subsidiaries at 31 March 2022 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 2022

17 Debtors

	Group 2022	2021	Company 2022	2021
Amounts falling due within one year:	£	£	£	£
Trade debtors	776,868	572,396	151,622	570,798
Corporation tax recoverable	515,840	567,135	474,713	567,135
Amounts owed by group undertakings	-	-	576,803	828,015
Other debtors	37,007	117,881	150	31,929
Prepayments and accrued income	167,257	255,350	139,283	178,451
	<u>1,496,972</u>	<u>1,512,762</u>	<u>1,342,571</u>	<u>2,176,328</u>
Deferred tax asset (note 21)	37,156	22,738	-	-
	<u>1,534,128</u>	<u>1,535,500</u>	<u>1,342,571</u>	<u>2,176,328</u>

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

18 Creditors: amounts falling due within one year

		Group 2022	2021	Company 2022	2021
Notes	£	£	£	£	
Other borrowings	20	609,168	965,538	609,168	635,747
Trade creditors		171,121	258,378	139,275	202,921
Amounts owed to group undertakings		-	-	997,241	241,508
Corporation tax payable		-	23,241	-	-
Other taxation and social security		84,913	67,239	84,913	67,239
Deferred income	22	3,187,699	2,743,115	2,262,916	2,739,327
Other creditors		145,686	128,104	98,289	128,093
Accruals and deferred income		369,059	318,051	246,978	248,736
		<u>4,567,646</u>	<u>4,503,666</u>	<u>4,438,780</u>	<u>4,263,571</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 £8,146 (2021: £9,759) is payable within one year.

Also included within other creditors due within one year is the fair value of the deferred consideration in relation to the acquisition of the trade and assets of SoleraTec LLC. £60,000 (2021: £120,000) is payable within one year and £nil (2021: £200,000) 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.

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

19 Creditors: amounts falling due after more than one year

		Group 2022	2021	Company 2022	2021
	Notes	£	£	£	£
Other borrowings	20	1,800,240	434,597	1,800,240	434,597
Deferred income	22	3,534,403	3,296,299	2,390,560	3,296,299
Other creditors		-	200,000	-	200,000
		<u>5,334,643</u>	<u>3,930,896</u>	<u>4,190,800</u>	<u>3,930,896</u>

20 Borrowings

		Group 2022	2021	Company 2022	2021
		£	£	£	£
Other loans		<u>2,409,408</u>	<u>1,400,135</u>	<u>2,409,408</u>	<u>1,070,344</u>
Payable within one year		609,168	965,538	609,168	635,747
Payable after one year		<u>1,800,240</u>	<u>434,597</u>	<u>1,800,240</u>	<u>434,597</u>

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.

On 27th September 2021, the Group extended its existing loan facility with Harbert European Speciality Lending Company II SARL (now called Claret European Speciality Lending Company II SARL) by an additional £2,000,000. The loan is repayable over 3.5 years in fixed monthly instalments with the last instalment falling due March 2025 and is secured across all of the company's assets. Interest is charged at 10.5% per annum. £996,225 was drawn in September 2021 and £988,510 on 31 March 2022. A condition precedent of the amendment to the loan agreement was for the company to issue additional warrant shares with an exercise period of 10 years, the quantity and subscription price dependent on the timing of a future funding round. As detailed in the Strategic Report, subsequent to the year-end the company has raised further equity through a funding round and continues to speak to potential investors. As a result of this funding round, the amount of warrant shares has now been confirmed as 100,000 warrant shares at subscription price per share of £2.40, a 20% discount on the fair value of £3 per share, representing a total discount of £60,000.

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 2022, £nil was outstanding (2021: £437,216 was outstanding and fully due within one year).

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

21 Deferred taxation

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

Group	Assets 2022 £	Assets 2021 £
Short term timing differences	37,156	22,738

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2022 £	Company 2022 £
Asset at 1 April 2021	(22,738)	-
Credit to profit or loss	(14,418)	-
Asset at 31 March 2022	(37,156)	-

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.

Deferred tax assets have been recognised to the extent that there are sufficient future profits forecast, or that there are deferred tax liabilities to offset them. To the extent where deferred tax assets and liabilities relate to the same tax jurisdiction, they have been offset where appropriate.

At the year-end the company and group had total unrecognised deferred tax assets of £1,904,530 (2021: £1,173,036) arising from tax losses. Of these total deferred tax assets, £574,313 were offset against deferred tax liabilities arising from timing differences. Due to uncertainty of utilisation, the total remaining deferred tax assets of £1,335,057 (2021: £817,621) have not been recognised. This deferred tax asset is calculated at 25% (2021: 19%).

22 Deferred income

	Group 2022 £	2021 £	Company 2022 £	2021 £
Deferred income	6,722,102	6,039,414	4,653,476	6,035,626

Deferred income is included in the financial statements as follows:

Current liabilities	3,187,699	2,743,115	2,262,916	2,739,327
Non-current liabilities	3,534,403	3,296,299	2,390,560	3,296,299
	6,722,102	6,039,414	4,653,476	6,035,626

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

23 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	151,217	179,949

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 2022, included within accruals, there were unpaid pension contributions of £29,759 (2021: £21,683).

24 Share capital

	Group and Company			
	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary voting of 10p each	8,740,715	8,645,061	874,072	864,506

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

The following shares were issued by the Company:

On 1 December 2021, 20,850 ordinary voting shares of 10p were issued with a premium of £2.90.

On 15 December 2021, 34,804 ordinary voting shares of 10p were issued with a premium of £2.90.

On 17 December 2021, 10,000 ordinary voting shares of 10p were issued with a premium of £2.90.

On 11 January 2022, 30,000 ordinary voting shares of 10p were issued with a premium of £1.90 as part of the asset purchase of SoleraTec LLC.

25 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 2022

26 Cash generated from group operations

	2022	2021
	£	£
Loss for the year after tax	(2,194,578)	(2,366,888)
Adjustments for:		
Taxation credited	(579,918)	(269,759)
Finance costs	132,757	141,065
Interest income	(4)	-
Loss on disposal of tangible fixed assets	82,141	-
Amortisation and impairment of intangible assets	1,724,567	2,549,810
Depreciation and impairment of tangible fixed assets	65,020	61,383
Equity settled share based payment expense	193,806	43,853
Unrealised foreign exchange movements	(102,824)	204,495
Movements in working capital:		
(Increase)/decrease in debtors	(35,505)	2,171,369
Increase/(decrease) in creditors	59,007	(539,039)
Increase in deferred income	682,688	1,023,606
Cash generated from operations	<u>27,157</u>	<u>3,019,895</u>

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

	1 April 2021	Cash flows	Exchange rate	31 March 2022
	£	£	£	£
Cash at bank and in hand	1,907,097	118,130	27,064	2,052,291
Borrowings excluding overdrafts	(1,400,135)	(1,019,076)	9,803	(2,409,408)
	<u>506,962</u>	<u>(900,946)</u>	<u>36,867</u>	<u>(357,117)</u>

28 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	Company	2021
	2022	£	2022	£
	£	£	£	£
Within one year	80,126	51,111	80,126	37,005
Between one and five years	82,897	-	82,897	-
	<u>163,023</u>	<u>51,111</u>	<u>163,023</u>	<u>37,005</u>

STORMAGIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

29 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Acquisition of intangible assets	21,480	-	21,480	-

30 Events after the reporting date

After the year-end and up to the date of signing these financial statements, the Group raised £807,130 in exchange for 269,040 shares, which is considered a non-adjusting event.

31 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 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 £1,126,980 (2021: £1,161,940), including employer's national insurance of £75,392 (2021: £33,023).