

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31 December 2019

for

Broadberry Data Systems Limited

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for the Year Ended 31 December 2019

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Broadberry Data Systems Limited
Company Information
for the Year Ended 31 December 2019

DIRECTORS: Mr G L Bero
Mr C P Broadberry
Mr M D'Amclio

REGISTERED OFFICE: 3 Sheen Road
Richmond
TW9 1AD

REGISTERED NUMBER: 02882275 (England and Wales)

AUDITORS: Ledger Sparks Audit LLP
Airport House
Suite 43-45
Purley Way
Croydon
CR0 0XZ

Strategic Report
for the Year Ended 31 December 2019

Introduction

The directors present their strategic report with the financial statements of the year ended 31 December 2019.

Principal activities

The company's principal activity is the wholesale of computers, computer peripheral equipment and software.

BUSINESS REVIEW

The directors are pleased with the trading performance for the year, which resulted in a pre-tax profit. The results for the company show a pre-tax profit of £2,744,489 (2018: £2,470,969), and turnover of £13,091,127 (2018:£12,271,002). Operating profit for the year is £2,733,475 (2018: £2,465,237) higher by £268,238 compared to 2018 is primarily due to strong sales growth providing quality and price sensitive product and customer service to capture additional market share. The improved gross profit percentage is driven by improved purchasing power and relationships with suppliers. Administrative expenses were £1,489,498 (2018: £992,831), which have increased due to employee and advertising costs. However, the company will continue to focus on cost monitoring in response to the difficult future market conditions.

The company continues to experience growth through difficult trading conditions. However, in March 2020 the World Health Organisation declared the outbreak of a coronavirus (COVID-19) a pandemic. The directors remain confident that the company trading will not be adversely affected.

The directors believe the effect of the UK leaving the EU, should have limited impact on company based on geographical diversity of it operations. However due to the current uncertainty and changes to UK businesses, the director will continue to review and adapt to the risk of potential changes as result of the UK's exit from the EU.

Strategic Report
for the Year Ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company are reviewed in detail by the directors and no material additional risk or uncertainty has been identified other than those detailed below. These risks are broadly accompanied with competitive, operational and financial risks. The directors risk management objectives consist of identifying and monitoring those risks which could have an adverse impact on the company assets, profitability or cash flows.

The company is exposed to financial risks including credit risk, liquidity risk, and market risk, arising from the company's normal business activities. These risks and the company's approach to dealing with them are discussed below.

Competitive risk

The company operates in the computer hardware and integration sector. The markets remain competitive with price and margin fluctuation, which are dependent on relationships with key suppliers. Additionally, the uncertain surrounding the economy due to the direct result of the United Kingdom's exit and COVID-19 remain prominent factors factoring affecting the sector.

Operational risk

The main operational risk relating to the company's operations of the computer hardware and integration are through relationships with the customers and quality of products to client specifications. The company's ability to provide products to its customers depends on maintaining relationship. The overall risk is mitigated by ensuring that the orders are delivered to client's specification and quality products to the company to enable operations to grow. Additionally, in March 2020 the World Health Organisation declared the outbreak of a coronavirus (COVID-19) a pandemic. Business in the UK has had to be suspend in parts across various operations because of the outbreak of a coronavirus (COVID-19) and lockdown measures enacted by the Local Government. However, the company holds and buys its stock based on confirmed contracts and directors consider the impact on operations and current shutdown, will be limited on the company's operational risks.

Price risk

The company's exposure to price risk is based on its operation to provide tailored hardware and integration products. The fluctuation has impact on the company margins and profitability. There is also some exposure product price risk based on its operations. The directors manage exposure based on working with its supplier in and controlling purchasing volumes and providing high level of service to customers. The company directors ensure they review and manage their policies to controls the level of risk through diversification of products' they provide.

Foreign exchange risks

The company has certain balances due to and from customers, suppliers and related parties in other currencies, primarily in Euros or Dollars, and the company is therefore exposes to currency fluctuations. As a matter of policy, the company choose not to currently use financial derivatives or currency hedging to manage its exposure and the directors review exposures to risk and review currency fluctuations on an ongoing basis to ensure any adverse effect limited.

Credit risk

The company's principal financial assets are bank balances, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables and balances from the related parties. The company gives significant attention to credit risk and manages the risk though credit control procedures to ensure that credit risk is at an acceptable level for its future operations.

Strategic Report
for the Year Ended 31 December 2019

Liquidity Risk

Liquidity risk is the risk that insufficient working capital will be generated by the company's business activities and that in this event suitable sources of funding may not be available. The company ensures that sufficient cash is available to fund on-going operations and has sufficient cash reserves for its operations. The company controls this risk by maintaining appropriate inventory levels by operating a policy of buying inventory against confirmed customer orders and also exercises effective credit management.

KEY PERFORMANCE INDICATORS

The directors of the company use a variety of financial performance indicators, including turnover, total operating profit, profit after tax, shareholders fund and average employees. These are reviewed and assessed quarterly by the board and appropriate action taken to ensure growth targets are being achieved.

The company's key financial and non-performance indicator for the year are as follows:

| | 2019 | 2018 | 2017 |
|------------------------|------------|------------|-----------|
| | £ | £ | £ |
| Turnover | 13,091,127 | 12,271,002 | 9,417,918 |
| Total operating profit | 2,733,475 | 2,465,237 | 1,866,458 |
| Profit after tax | 2,346,909 | 2,094,642 | 1,589,063 |
| Shareholders Fund | 6,893,684 | 4,546,775 | 3,952,133 |
| Average employees | 29 | 25 | 25 |

RESEARCH AND DEVELOPMENT

The company is currently undertaking research and development to improve and enhance its products.

FINANCIAL INSTRUMENTS

The company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are conducted in sterling and foreign currency for which company minimise exposure to exchange rate volatility through its internal management processes. The company does not enter into any formally designated hedging arrangements.

FUTURE DEVELOPMENTS

The directors remain optimistic for the future. order book activities are reviewed to ensure that future planned performance will continue. The directors aim to maintain a strategy to continue to improve performance and drive the business through targeted growth opportunities.

ON BEHALF OF THE BOARD:

Mr C P Broadberry - Director

10 December 2020

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of wholesale of computers, computer peripheral equipment and software.

DIVIDENDS

The directors do not recommend the payment of a dividend. The profit for the financial year of £2,346,909 will therefore be taken to reserves.

DIRECTORS

Mr C P Broadberry has held office during the whole of the period from 1 January 2019 to the date of this report.

Other changes in directors holding office are as follows:

Mr G L Bero - appointed 9 October 2019

Mr M D'Amelio - appointed 9 October 2019

GOING CONCERN

In March 2020, the World Health Organisation declared the outbreak of a coronavirus (COVID-19) pandemic. Due to the outbreak, economic uncertainties have arisen, which could have some form negative impact on the company, however any impact on the current business at present is difficult to evaluate. The directors have reviewed the group's objective, risk and management policies along with the market positioning due to the coronavirus. The directors continue to review and assess the current forecast and projections for the company. As a result, the directors have concluded that the company has adequate and sufficient resources to continue to adopt a going concern basis in preparing the financial statements.

STRATEGIC REPORT

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of future developments, research & development and financial instruments.

EVENTS AFTER THE YEAR END

As set out to note 24, the Coronavirus (COVID-19) has emerged globally resulting in a significant impact on businesses worldwide. As a result some business operations have been restricted, however the company continues to operate using alternative methods and remote working. The directors are unable to evaluate the overall financial impact on the business at present. Hence financial statements do not include any adjustments that might result from the outcome of this uncertainty. The directors are continuing to monitor, assess and act to the current changing environment in order to position the company to ensure its future success.

Report of the Directors
for the Year Ended 31 December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors Ledger Sparks Audit LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Mr C P Broadberry - Director

10 December 2020

Report of the Independent Auditors to the Members of
Broadberry Data Systems Limited

Opinion

We have audited the financial statements of Broadberry Data Systems Limited (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
Broadberry Data Systems Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page six, 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 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 a Report of the Auditors 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Other Matters

The financial statements for the year ended 31st December 2018, forming the comparatives figures to the financial statements for the year ended 31st December 2019 are unaudited.

Bobby Gurdep Bhogal FCCA (Senior Statutory Auditor)
for and on behalf of Ledger Sparks Audit LLP
Airport House
Suite 43-45
Purley Way
Croydon
CR0 0XZ

10 December 2020

Income Statement
for the Year Ended 31 December 2019

| | Notes | 2019 £ | 2018 £ |
|----------------------------------------|-------|--------------------|--------------------|
| TURNOVER | 4 | 13,091,127 | 12,271,002 |
| Cost of sales | | <u>(8,928,691)</u> | <u>(8,812,934)</u> |
| GROSS PROFIT | | 4,162,436 | 3,458,068 |
| Administrative expenses | | <u>(1,489,498)</u> | <u>(992,831)</u> |
| | | 2,672,938 | 2,465,237 |
| Other operating income | 5 | <u>60,537</u> | <u>-</u> |
| OPERATING PROFIT | 7 | 2,733,475 | 2,465,237 |
| Interest receivable and similar income | | <u>11,014</u> | <u>5,732</u> |
| PROFIT BEFORE TAXATION | | 2,744,489 | 2,470,969 |
| Tax on profit | 8 | <u>(397,580)</u> | <u>(376,327)</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>2,346,909</u> | <u>2,094,642</u> |

The notes form part of these financial statements

Other Comprehensive Income
for the Year Ended 31 December 2019

| | 2019 | 2018 |
|-----------------------------------|------------------|------------------|
| Notes | £ | £ |
| PROFIT FOR THE YEAR | 2,346,909 | 2,094,642 |
| OTHER COMPREHENSIVE INCOME | - | - |
| TOTAL COMPREHENSIVE INCOME | - | - |
| FOR THE YEAR | <u>2,346,909</u> | <u>2,094,642</u> |

Broadberry Data Systems Limited (Registered number: 02882275)

Balance Sheet
31 December 2019

| | Notes | 2019 £ | 2018 £ |
|----------------------------------------------|-------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets | 13 | 7,140 | 47,606 |
| CURRENT ASSETS | | | |
| Stocks | 14 | 154,607 | 48,320 |
| Debtors | 15 | 7,310,915 | 1,005,694 |
| Cash at bank | | <u>457,755</u> | <u>4,508,750</u> |
| | | 7,923,277 | 5,562,764 |
| CREDITORS | | | |
| Amounts falling due within one year | 16 | <u>(1,036,733)</u> | <u>(1,063,595)</u> |
| NET CURRENT ASSETS | | <u>6,886,544</u> | <u>4,499,169</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>6,893,684</u> | <u>4,546,775</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 100 | 100 |
| Retained earnings | 19 | <u>6,893,584</u> | <u>4,546,675</u> |
| SHAREHOLDERS' FUNDS | | <u>6,893,684</u> | <u>4,546,775</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 10 December 2020 and were signed on its behalf by:

Mr C P Broadberry - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 December 2019

| | Called up share capital £ | Retained earnings £ | Total equity £ |
|------------------------------------|------------------------------------|---------------------------|----------------------|
| Balance at 1 January 2018 | 100 | 3,952,033 | 3,952,133 |
| Changes in equity | | | |
| Dividends | - | (1,500,000) | (1,500,000) |
| Total comprehensive income | - | 2,094,642 | 2,094,642 |
| Balance at 31 December 2018 | <u>100</u> | <u>4,546,675</u> | <u>4,546,775</u> |
| Changes in equity | | | |
| Total comprehensive income | - | 2,346,909 | 2,346,909 |
| Balance at 31 December 2019 | <u>100</u> | <u>6,893,584</u> | <u>6,893,684</u> |

Cash Flow Statement
for the Year Ended 31 December 2019

| | Notes | 2019 £ | 2018 £ |
|---------------------------------------------------------|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 22 | (3,734,163) | 2,607,577 |
| Tax paid | | <u>(347,834)</u> | <u>(328,184)</u> |
| Net cash from operating activities | | <u>(4,081,997)</u> | <u>2,279,393</u> |
| Cash flows from investing activities | | | |
| Purchase of tangible fixed assets | | - | (4,160) |
| Sale of tangible fixed assets | | 50,000 | - |
| Interest received | | <u>11,014</u> | <u>5,732</u> |
| Net cash from investing activities | | <u>61,014</u> | <u>1,572</u> |
| Cash flows from financing activities | | | |
| Amount withdrawn by directors | | (30,012) | - |
| Equity dividends paid | | <u>-</u> | <u>(1,500,000)</u> |
| Net cash from financing activities | | <u>(30,012)</u> | <u>(1,500,000)</u> |
| (Decrease)/increase in cash and cash equivalents | | <u>(4,050,995)</u> | <u>780,965</u> |
| Cash and cash equivalents at beginning of year | 23 | 4,508,750 | 3,727,785 |
| Cash and cash equivalents at end of year | 23 | <u>457,755</u> | <u>4,508,750</u> |

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. **STATUTORY INFORMATION**

Broadberry Data Systems Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page. The financial statements are prepared in sterling which is the functional currency of the company.

2. **ACCOUNTING POLICIES**

BASIS OF PREPARING THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

GOING CONCERN

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

At 31 December 2019 the company's had net current assets of £6,886,544 (2018: £4,499,169) and net profit of £2,346,909 (2018: £2,094,642), however the financial statements have been prepared on a going concern basis.

The World Health Organisation declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the United Kingdom has resulted in the temporary lockdown and reduction of operations which have been government mandated. At the current time, the directors are unable to quantify the potential effects of this pandemic on future reporting periods. The company's review and factor potential delays and reassess cash flow forecasts and budgets, which show that the company would have sufficient working capital for at least a year from the date these Financial Statements are approved. This is based on the assumptions that the budgeted forecasts are achievable, and demand continues for its products, services and governments continue to support the industry. The company continues to support its business model enabling to assist in managing its working capital efficiently. Given the above, the directors consider it appropriate to adopt a going concern basis in preparing the financial statements.

TURNOVER

Revenue is the amount derived from ordinary activities and is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, and is stated net of VAT.

Revenue from the sale of computer equipment and software as specified in the strategic report is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of components is recognised when the goods are delivered, and legal title has passed.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. **ACCOUNTING POLICIES - continued**

TANGIBLE FIXED ASSETS

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-----------------------|---------------------------|
| Plant and machinery | - 25% on reducing balance |
| Fixtures and fittings | - 25% on reducing balance |
| Motor vehicles | - 25% on reducing balance |

At each balance sheet date, the company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that any items of property, plant and equipment have suffered an impairment loss. If any such indication exists, the recoverable amount of an 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 the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

FINANCIAL INSTRUMENTS

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable. Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. **ACCOUNTING POLICIES - continued**

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date non-financial assets not carried at fair value, like plant, property and equipment, are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less cost to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

Inventories are also assessed for impairment at each reporting date. The carrying amount of each item of inventory, or group of similar items, is compared with its selling price less costs to complete and sell. If an item of inventory or group of similar items is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

STOCKS

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs, which comprise direct production costs and an appropriate allocation of production overheads, are based on the method most appropriate to the type of inventory class, but usually on a first-in-first-out basis. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write -down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period in which the written - down or loss occurs. The amount of any reversal of any write -down of stocks is recognised as a deduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

TAXATION

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

FOREIGN CURRENCIES

The financial statements are presented in Sterling, which is also the functional currency of the company. Transactions in currencies, other than the functional currency of the company, are recorded at the rate of exchange on the date the transaction occurred. Monetary items denominated in other currencies are translated at the rate prevailing at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured at historic cost in a foreign currency are not retranslated.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. **ACCOUNTING POLICIES - continued**

LEASING COMMITMENTS

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

PENSION COSTS AND OTHER POST-RETIREMENT BENEFITS

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

TRADE AND OTHER DEBTORS

Trade and other debtors that are receivable within one year and do not constitute a financing transaction are recorded at the undiscounted amount expected to be received, net of impairment. Those that are receivable after more than one year or that constitute a financing transaction are recorded initially at fair value less transaction costs and subsequently at amortised cost, net of impairment.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks.

TRADE AND OTHER CREDITORS

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

| | 2019 | 2018 |
|-------------------|------------|------------|
| | £ | £ |
| United Kingdom | 11,547,710 | 11,329,666 |
| Rest of the world | 1,543,417 | 941,336 |
| | 13,091,127 | 12,271,002 |

5. **OTHER OPERATING INCOME**

| | 2019 | 2018 |
|--------------|--------|------|
| | £ | £ |
| Other income | 60,537 | - |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

6. EMPLOYEES AND DIRECTORS

| | 2019 | 2018 |
|-----------------------|------------------|----------------|
| | £ | £ |
| Wages and salaries | 1,160,038 | 855,539 |
| Social security costs | 141,833 | 93,060 |
| Other pension costs | 12,842 | 7,256 |
| | <u>1,314,713</u> | <u>955,855</u> |

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

| | 2019 | 2018 |
|-----------------|-----------|-----------|
| Production | 15 | 17 |
| Sales and Admin | 14 | 8 |
| | <u>29</u> | <u>25</u> |

| | 2019 | 2018 |
|-------------------------|---------------|---------------|
| | £ | £ |
| Directors' remuneration | 52,000 | 33,000 |
| Directors' pension | 4,961 | 7,256 |
| | <u>56,961</u> | <u>41,256</u> |

7. OPERATING PROFIT

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

| | 2019 | 2018 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Auditor's remuneration | 7,000 | - |
| Other operating leases | 172,370 | 169,194 |
| Depreciation - owned assets | 2,381 | 15,841 |
| Profit on disposal of fixed assets | (11,915) | - |
| Foreign exchange differences | 138,437 | - |
| | <u>308,273</u> | <u>185,031</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

8. **TAXATION**

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

| | 2019 | 2018 |
|------------------------------|--------------------|--------------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 398,590 | 376,327 |
| Over/ Under provision of tax | <u>(1,010)</u> | <u>-</u> |
| Tax on profit | <u>397,580</u> | <u>376,327</u> |

RECONCILIATION OF TOTAL TAX CHARGE INCLUDED IN PROFIT AND LOSS

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2019 | 2018 |
|--------------------------------------------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Profit before tax | <u>2,744,489</u> | <u>2,470,969</u> |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | 521,453 | 469,484 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 10,007 | 79,168 |
| Income not taxable for tax purposes | (2,264) | - |
| Capital allowances in excess of depreciation | - | (845) |
| Depreciation in excess of capital allowances | 9,251 | - |
| Research and Development enhanced deduction | (139,857) | (171,480) |
| Overprovision of previous year | <u>(1,010)</u> | <u>-</u> |
| Total tax charge | <u>397,580</u> | <u>376,327</u> |

9. **DIVIDENDS**

| | 2019 | 2018 |
|----------------------------|----------|------------------|
| | £ | £ |
| Ordinary shares of £1 each | | |
| Final | <u>-</u> | <u>1,500,000</u> |

10. **INTEREST PAYABLE AND OTHER SIMILAR CHARGES**

| | 2019 | 2018 |
|-----------------------|---------------|---------------|
| | £ | £ |
| Bank and card charges | <u>29,346</u> | <u>19,637</u> |

11. **PENSION SCHEME**

The company operates a defined contribution scheme. During the year the company contributed £12,842 (2018: £7,256). There were £3,589 outstanding contributions at the reporting date (2018: £0).

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

12. **OPERATING LEASE COMMITMENTS**

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2019 | 2018 |
|----------------------------------------------|---------|---------|
| | £ | £ |
| Payable within one year | 140,834 | 140,834 |
| Payable after one year but within five years | 704,169 | 704,169 |
| Payable after five years | 281,668 | 422,502 |

13. **TANGIBLE FIXED ASSETS**

| | Plant and machinery | Fixtures and fittings | Motor vehicles | Totals |
|------------------------|------------------------|-----------------------------|-------------------|----------------|
| | £ | £ | £ | £ |
| COST | | | | |
| At 1 January 2019 | 51,981 | 51,562 | 90,275 | 193,818 |
| Disposals | - | - | (90,275) | (90,275) |
| At 31 December 2019 | <u>51,981</u> | <u>51,562</u> | <u>-</u> | <u>103,543</u> |
| DEPRECIATION | | | | |
| At 1 January 2019 | 48,290 | 45,732 | 52,190 | 146,212 |
| Charge for year | 923 | 1,458 | - | 2,381 |
| Eliminated on disposal | - | - | (52,190) | (52,190) |
| At 31 December 2019 | <u>49,213</u> | <u>47,190</u> | <u>-</u> | <u>96,403</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2019 | <u>2,768</u> | <u>4,372</u> | <u>-</u> | <u>7,140</u> |
| At 31 December 2018 | <u>3,691</u> | <u>5,830</u> | <u>38,085</u> | <u>47,606</u> |

14. **STOCKS**

| | 2019 | 2018 |
|--------|----------------|---------------|
| | £ | £ |
| Stocks | <u>154,607</u> | <u>48,320</u> |

15. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2019 | 2018 |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors less bad debt provision | 1,506,427 | 999,653 |
| Other debtors | 3,131 | - |
| Amounts due from group undertakings | 5,798,327 | - |
| Prepayments | 3,030 | 6,041 |
| | <u>7,310,915</u> | <u>1,005,694</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

| | | | | | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------|------------------|------------------------|
| 16. | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | | 2019 £ | 2018 £ |
| | Trade creditors | | | 619,159 | 491,082 |
| | Corporation tax | | | 198,590 | 148,844 |
| | SSOT | | | 62,016 | - |
| | VAT | | | 129,389 | 280,681 |
| | Other creditors | | | - | 52,604 |
| | Pension payable | | | 3,589 | - |
| | Directors' current accounts | | | - | 30,012 |
| | Accrued expenses | | | 23,990 | 60,372 |
| | | | | <u>1,036,733</u> | <u>1,063,595</u> |
| 17. | FINANCIAL INSTRUMENTS | | | 2019 | 2018 |
| | £ | £ | | | |
| | Financial assets | | | | |
| | Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors and amount due from group undertakings | | | <u>7,307,885</u> | <u>1,005,694</u> |
| | Financial liabilities | | | | |
| | Financial assets that are debt instruments measured at amortised cost comprise trade and other creditors and directors loan account | | | <u>752,137</u> | <u>854,379</u> |
| 18. | CALLED UP SHARE CAPITAL | | | | |
| | Allotted, issued and fully paid: | | | | |
| | Number: | Class: | Nominal value: | 2019 | 2018 |
| | | | | £ | £ |
| | 100 | Ordinary | £1 | <u>100</u> | <u>100</u> |
| 19. | RESERVES | | | | Retained earnings £ |
| | At 1 January 2019 | | | | 4,546,675 |
| | Profit for the year | | | | <u>2,346,909</u> |
| | At 31 December 2019 | | | | <u>6,893,584</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

20. **RELATED PARTY DISCLOSURES**

Included in Creditors, Nil (2018 - £30,012) amount due from the director of the company.

During the year, a director of the company purchased a motor vehicle from the company for £50,000 which was deemed to be at market value. No balance remains outstanding at the year end. The director also received £140,000 in respect of rent for the business premises.

During the year purchases of £174,686 (2018 - Nil) were made form ultimate controlling party. The company also loaned £5,798,327(2018 - Nil) to the ultimate company which was due at the balance sheet date.

21. **ULTIMATE CONTROLLING PARTY**

The immediate parent company is Berry Bideo Limited, a company registered in UK. The ultimate controlling party is Source Code Midco LLC, a company registered in USA (2018 - Mr C P Broadberry) by virtue of the shareholding in the company.

22. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

| | 2019 | 2018 |
|------------------------------------------------|---------------------------|-------------------------|
| | £ | £ |
| Profit before taxation | 2,744,489 | 2,470,969 |
| Depreciation charges | 2,381 | 15,841 |
| Profit on disposal of fixed assets | (11,915) | - |
| Finance income | <u>(11,014)</u> | <u>(5,732)</u> |
| | 2,723,941 | 2,481,078 |
| Increase in stocks | (106,287) | (11,837) |
| (Increase)/decrease in trade and other debtors | (6,305,221) | 419,390 |
| Decrease in trade and other creditors | <u>(46,596)</u> | <u>(281,054)</u> |
| Cash generated from operations | <u><u>(3,734,163)</u></u> | <u><u>2,607,577</u></u> |

23. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2019

| | 31.12.19 | 1.1.19 |
|---------------------------|----------------|------------------|
| | £ | £ |
| Cash and cash equivalents | <u>457,755</u> | <u>4,508,750</u> |

Year ended 31 December 2018

| | 31.12.18 | 1.1.18 |
|---------------------------|------------------|------------------|
| | £ | £ |
| Cash and cash equivalents | <u>4,508,750</u> | <u>3,727,785</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

24. **ANALYSIS OF CHANGES IN NET FUNDS**

| | At 1.1.19 £ | Cash flow £ | At 31.12.19 £ |
|-----------------|------------------|--------------------|------------------|
| Net cash | | | |
| Cash at bank | <u>4,508,750</u> | <u>(4,050,995)</u> | <u>457,755</u> |
| Total | <u>4,508,750</u> | <u>(4,050,995)</u> | <u>457,755</u> |

25. **POST BALANCE SHEET EVENTS**

Since the year end, the COVID-19 has had a significant impact on businesses worldwide. As a result business operation have been restricted although operations are continuing to be performed remotely. The financial impact on the current business at present is difficult to evaluate. The directors are continuing to monitoring, assess and act to the current changing environment in order to position the company to ensure its future success.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.