

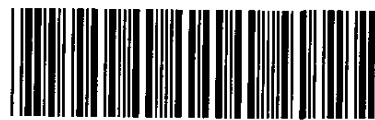
**Stone Computers Limited**

Annual report and financial  
statements

Registered number 02658501

For the year ended 31 December 2019

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## Strategic report

### Business model

Stone Computers Limited (the “Company” or “Stone”) continues to offer a range of IT solutions predominantly to the UK Public Sector (organisations within education, health and emergency services, local and central government and housing) and with a growing presence in the private sector, comprising:

- the latest hardware technology - storage, servers, workstations, desktop and notebook PC's and tablets;
- networking, audio visual and other peripheral products;
- related software and professional services – infrastructure design, project management, implementation;
- IT asset disposal services;
- ongoing support; and
- maintenance and repair.

We constantly seek to understand the organisational objectives of our customers and how the achievement of those objectives can be most effectively supported or realised utilising Information Technology. This enables us to differentiate the Company within its markets through the provision of the most up to date, relevant and effective Information Technology Solutions on a long-term sustainable basis.

We currently hold the prestigious Investors in People accreditation and we remain committed to developing the technical, customer service and operational skills of our staff. Combined with their passion and commitment to always “go the extra mile” for our customers, this underpins our performance as an innovative and growing solutions provider.

Investing in our people and constantly striving to improve our operational efficiency and performance ensures the quality and efficacy of our products and services, underlined by our quality, environmental and data protection accreditations.

The business maintains a formal management system to ensure its effectiveness across the key operational considerations of quality, information security, business continuity, environment and staff development. The management system is externally certified to a range of recognised standards giving assurance to the market of the competence levels of the business and providing access to commercial opportunities within a range of sectors.

This is ultimately recognised in our growing and loyal customer base and our increasing portfolio of prestigious accreditations to supply the UK Public Sector.

### Business review and outlook

The Company delivered a strong trading performance in 2019 with turnover increasing by over 15% to £94.2 million. The strategy of delivering growth through the addition of net new customers whilst expanding the range of products and services offered to the existing customer base has proved successful and laid the foundations for further, profitable growth in 2020 and beyond. We continued to enhance our market position within the UK public sector and develop our infrastructure services, IT asset disposal and repair offerings whilst, at the same time, continuing to build on our core end user device business, investing in our team focussed on the UK Private Sector and building on our reputation as a strong and stable partner of choice for cradle to grave IT solutions for customers across our chosen markets.

The Company achieved a gross profit of £18.3 million (19.5%), an increase of almost £5 million when compared to the previous year. Operating profit before depreciation, amortisation and exceptional costs (EBITDA) was £4.2 million, compared to the previous year's £2.7 million.

The Company secured new banking facilities during the year and now manages its working capital requirements through a £13.5m facility with Shawbrook Bank, committed until November 2022. At the year end, £3.4 million of the facility was utilised (2018: £4.0 million) although a healthy cash balance of £5.1 million at the year end (2018: £5.6 million) enabled the Company to report a net cash balance of £1.7 million (2018: net cash balance of £1.6 million). As part of the refinancing involving the Shawbrook facility, the Company also loaned £3m to its immediate parent undertaking, Granite One Hundred Holdings Limited, to facilitate the repayment of loan notes previously issued.

The Company entered 2020 with momentum and traded ahead of plan in the first quarter. Whilst the COVID-19 pandemic has subsequently impacted on performance, the company has remained profitable and cash generative.

## **Strategic report** *(continued)*

### **Sustainable development of the business**

The sustainable development of the business is a key focus for the Board and its strategic management principles are aligned to the BS8900 standard. Sustainability issues are identified through continued 360 degree engagement with all relevant stakeholder groups and addressed by the Board. The strategy is fully communicated to key stakeholders and encompasses the Company's intentions in respect to financial targets, employee development, trading and supply chain partners, environmental and social development.

The strategic plan has enabled the business to achieve its planned financial targets, develop its employees, enhance its relationship with strategic partners, continue to reduce its carbon impact and donate to chosen charities and support other social and environmental initiatives.

### **Principal risks and uncertainties**

Risk is present in all businesses and the board regularly reviews the risks faced by the Company. The directors consider the following to be the major risks and uncertainties faced by the Company at this point in time:

- **Market** - The IT sector by its nature is one of rapid change and development creating both uncertainty and opportunity. Average selling prices and gross margin per unit of hardware generally reduce with time. As noted above, the Company differentiates itself within its markets through the provision of the most up to date, relevant and effective Information Technology Solutions on a best value basis for its customers, with market leading service levels.
- **Exchange rate risk** - The Company sells in Sterling and purchases a proportion of its supplies in US dollars. However, as this is common across the IT sector, market selling prices would tend to move in line with major currency shifts. Also, the Company builds hardware to order to extremely short lead times, so the majority of any un-hedged foreign exchange exposure is normally limited to less than one month's sales. The Company seeks to mitigate the remaining risk associated with short term fluctuations or in relation to specific large sales bids through the forward purchase of dollars and the use of appropriate instruments from time to time.
- **Warranty** - The Company sells the majority of its hardware with up to three years' warranty as standard and up to five years' warranty if required. This liability is constantly reviewed and mitigated by ensuring the majority of components are supported back to back by the Company's supply chain. Additionally, the Company performs all repairs via its own employed field engineering resource.
- **Supply of components** - The Company configures its hardware to customer order on short lead times. There is a potential risk to order fulfilment during times of industry wide component constraint. This is mitigated by multi-sourcing, strong long term supply arrangements including planning, forecasting and buffer stocks as appropriate.
- **Liquidity risk** - This risk is an issue in all businesses. The Company manages risk by closely monitoring cash flow and working capital, through regular forecasting and review. The Company has prepared financial forecasts for the foreseeable future and these indicate that the Company should be able to operate within the level of its current facilities with Shawbrook Bank.
- **Brexit risk** - With the UK currently in the Brexit transition period, we now know that trading arrangements are likely to alter with effect from 1 January 2021. It is possible there will again be uncertainty surrounding the continued orderly operation of UK ports and any consequent disruption to the timely supply of imported goods and components with effect from January 2021. Whilst the Company imports very few products from Europe, a number of supply routes from the Far East either pass through Europe or, more commonly, arrive at entry points also used by Europe. The Company is encouraged by the level of planning that took place across the industry in 2019 ahead of the potential hard Brexit dates in March and December, including re-routing of goods via entry points less exposed to European imports and increasing stock holdings in the UK and would not expect there to be any significant impact to business operations from January 2021.

### **COVID-19 risk impact**

The spread of the Corona virus pandemic continues to cause concern. The company remained operational during the lockdown period as a supplier of goods and services to providers of essential services. Changes to working practices were implemented to ensure appropriate social distancing measures could be maintained. With no signs of there being a likely end to the pandemic in the short term, there remains a degree of uncertainty over future events and the consequences for the Company. The following are some of the key risks posed by the pandemic and the mitigation strategies adopted.

## Strategic report *(continued)*

- **Market:** The pandemic has the potential to disrupt demand. Stone has been diversifying both the products and services it offers and the markets into which it sells those products and services. Staff have been trained in the skills required to remain effective in a remote sales environment.
- **Financial:** Increased market risk and the potential for reduced profitability heightens liquidity risk. The company has sought to take advantage of government support where appropriate and discretionary spend on overheads and capital items is considered carefully before being incurred. The company has maintained a close dialogue with its debt provider and has implemented a rolling financial forecast to provide clear visibility of its short and medium term financial position.
- **Health & Safety:** The health and safety of our employees is of paramount importance. There is a risk that colleagues may come into contact with carriers of COVID-19 and thereby bring the virus to our facility. Business continuity plans were invoked to the extent that all roles capable of being undertaken remotely were moved to home working and continue to operate in this manner. As a manufacturing business, a proportion of roles were not able to work from home and a number of measures were therefore taken to increase social distancing and reduce, as far as possible, the likelihood of the virus being transmitted. These measures included revisions to the layout of work areas, increased cleaning and the provision of additional PPE.

### Governance

Stone Computers Limited is the principal trading company in the group headed by Stone Technologies Group Limited. The Group is not required to comply with the UK Corporate Governance Code ('the Code'), but is committed to high standards of corporate governance and seeks to follow those Principles set out in the code considered appropriate to a group of its size, including those relating to board composition and evaluation, audit, risk and internal controls.

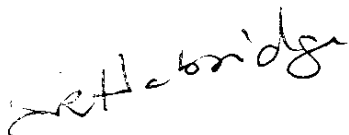
### Key Performance Indicators

The Company measures its performance through establishing targets at the beginning of each financial year against a broad range of financial and non-financial indicators. These key performance indicators (KPIs) are reviewed monthly by the management and are used to assess whether the business is performing in accordance with plan throughout the year.

The KPIs used by the Company are as follows:

- Revenue in total and by market vertical
- Sales Order Intake in total and by market vertical
- Gross Margin in total and by market vertical
- Revenue and Gross Margin by product group
- Earnings before interest, tax, depreciation and amortisation and exceptionals (EBITDA)
- Working Capital and Cash balances

By order of the board



**SR Harbridge**  
Director

23 October 2020

## **Directors' report**

The directors present their annual report and financial statements for the year ended 31 December 2019.

### **Directors**

The directors who held office at the date of this report were as follows:

P Berks  
SR Harbridge  
TD Westbrook  
A Frost  
L Richards  
C Hykin

### **Political donations**

During the year, the Company made no donations (2018: £Nil).

### **Dividends**

There were no dividends paid during the year (2018: £Nil).

### **Financial instruments**

The Company holds financial instruments to finance its operations, being trade debtors and trade creditors arising directly from the Company's operations. The Company performs credit checks for all significant customers to minimise bad debt risk and obtains credit insurance for any non-public sector customers where it is considered prudent to do so. The Company is committed to cash flow monitoring as an integral part of its normal management procedures. The directors consider these projections on a monthly basis and assess the cash requirements in the context of the cash surpluses available to the Company.

Additional information in respect of financial instruments is shown in note 20 to the financial statements.

### **Employment of disabled persons**

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the Company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the Company.

### **Employee involvement**

The Company recognises the importance of employee involvement and development and holds the Investor in People accreditation at gold status, the highest level that any organisation can achieve.

During the year, employees were provided with information regarding factors affecting performance of the business and of other matters of concern to them as employees. Additionally, consultations took place with employee representatives so that the views of the employees could be taken into account in making decisions which were likely to affect their interests.

### **Going concern and post balance sheet events**

The Directors have prepared trading and cash flow forecasts for the 12-month period from the date of approval of these financial statements. The forecasts make assumptions in respect of future market conditions and the potential impact of COVID-19 related disruption on demand and supply chains based on the experience of the second quarter of 2020. Whilst the directors consider that there is a degree of subjectivity involved in the forecasts, the directors have a reasonable expectation that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. Further details are provided in the Basis of Preparation note on page 12 of the financial statements.

## **Directors' report** *(continued)*

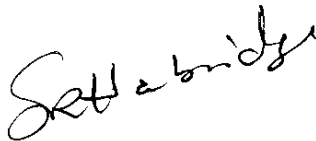
### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**SR Harbridge**  
*Director*

Granite One Hundred  
Acton Gate  
Stafford  
ST18 9AA

23 October 2020

## **Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## KPMG LLP

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Snow Hill Queensway  
Birmingham  
B4 6GH

# Independent auditor's report to the members of Stone Computers Limited

## Opinion

We have audited the financial statements of Stone Computers Limited ("the company") for the year ended 31 December 2019 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Other Comprehensive Income, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 UK accounting standards, including FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

## Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

## **Independent auditor's report to the members of Stone Computers Limited (continued)**

### **Strategic report and Directors' report (continued)**

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Xavier Timmermans (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

23 October 2020

**Profit and loss account and other comprehensive income**  
*for the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> £	2018 £
<b>Turnover</b>	3	<b>94,171,192</b>	81,658,451
Cost of sales		<b>(75,847,646)</b>	(68,234,036)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>18,323,546</b>	13,424,415
Administrative expenses		<b>(14,825,481)</b>	(11,360,283)
Operating profit before depreciation, amortisation and operating exceptional items			
		<b>4,176,584</b>	2,679,966
Depreciation and amortisation		<b>(517,679)</b>	(486,792)
Operating exceptional items	5	<b>(160,840)</b>	(129,042)
		<hr/>	<hr/>
<b>Operating profit</b>	4	<b>3,498,065</b>	2,064,132
Interest receivable and similar income	8	<b>1,793</b>	524
Interest payable and similar charges	9	<b>(270,113)</b>	(292,839)
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>3,229,745</b>	1,771,817
Taxation	10	<b>(632,889)</b>	(338,092)
		<hr/>	<hr/>
<b>Profit for the financial year and total comprehensive income</b>		<b>2,596,856</b>	1,433,725
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

**Balance Sheet**  
*at 31 December 2019*

	<i>Note</i>	<b>2019</b>		<b>2018</b>	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	<i>11</i>		<b>493,628</b>		464,831
Tangible assets	<i>12</i>		<b>1,348,905</b>		1,234,572
			<hr/>		<hr/>
			<b>1,842,533</b>		1,699,403
<b>Current assets</b>					
Stocks	<i>14</i>	<b>6,131,391</b>		4,126,216	
Debtors	<i>15</i>	<b>20,253,906</b>		16,820,965	
Cash at bank and in hand		<b>5,124,809</b>		5,560,982	
			<hr/>		<hr/>
		<b>31,510,106</b>		26,508,163	
<b>Creditors: amounts falling due within one year</b>	<i>16</i>	<b>(12,493,338)</b>		(9,351,874)	
			<hr/>		<hr/>
<b>Net current assets</b>			<b>19,016,768</b>		17,156,289
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>20,859,301</b>		18,855,692
<b>Creditors: amounts falling due after more than one year</b>	<i>17</i>	<b>(3,435,189)</b>		(4,018,282)	
<b>Provisions for liabilities and charges</b>	<i>18</i>	<b>(1,190,203)</b>		(1,200,357)	
			<hr/>		<hr/>
<b>Net assets</b>			<b>16,233,909</b>		13,637,053
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	<i>19</i>		<b>1</b>		1
Profit and loss account			<b>16,233,908</b>		13,637,052
			<hr/>		<hr/>
<b>Shareholders' funds</b>			<b>16,233,909</b>		13,637,053
			<hr/>		<hr/>

These financial statements were approved by the board of directors on *23 October 2020* and were signed on its behalf by:



**SR Harbridge**  
*Director*



**A Frost**  
*Director*

Company registered number: 02658501

## Statement of changes in equity

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2018	1	12,203,327	12,203,328
<b>Total comprehensive profit for the period</b>			
Profit	-	1,433,725	1,433,725
Total comprehensive profit for the period	-	1,433,725	1,433,725
Balance at 31 December 2018	1	13,637,052	13,637,053
Balance at 1 January 2019	1	13,637,052	13,637,053
<b>Total comprehensive profit for the period</b>			
Profit	-	2,596,856	2,596,856
Total comprehensive profit for the period	-	2,596,856	2,596,856
<b>Balance at 31 December 2019</b>	<b>1</b>	<b>16,233,908</b>	<b>16,233,909</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Stone Computers Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

#### *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling.

The Company’s ultimate parent undertaking, Stone Technologies Group Limited (the “Group”) includes the Company in its consolidated financial statements. The consolidated financial statements of Stone Technologies Group Limited are available to the public and may be obtained from Companies House. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes;
- Financial instrument disclosures, including:
  - Categories of financial instruments;
  - Items of income, expenses, gains or losses relating to financial instruments, and
  - Exposure to and management of financial risk.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **1.1 Measurement convention**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

#### **1.2 Going concern**

The Company manages its day-to-day working capital requirements with the assistance of a £13.5m Receivables Facility advanced by Shawbrook Bank and committed until November 2022. This facility, together with a Cashflow Facility advanced to the Company’s immediate parent undertaking, Granite One Hundred Holdings Limited by Shawbrook Bank were subject to the same financial covenants measured by reference to consolidated Group profit and indebtedness. At 30 September 2020, the Company held cash balances of £2.7m and had drawn £1.7m of the £13.5m available under the Receivables Facility. A balance of £2.89m was outstanding in respect of the Cashflow Facility held by the Company’s immediate parent undertaking.

In October 2020, as part of the forecasting process described below, the directors sought clarification from Shawbrook Bank as to whether the financial covenants would continue to be imposed on the Receivables Facility in the event of a repayment of the Cashflow Facility by Granite One Hundred Holdings Limited. Shawbrook confirmed that in the event of repayment of the Cashflow Facility, the Receivables Facility would be subject to only the existing headroom covenant. An amendment to the facilities agreement was entered into to confirm this point.

The Directors have prepared trading and cash flow forecasts for the 14-month period to 31 December 2021. The base case forecast includes assumptions in respect of future market conditions and the potential anticipated impact of COVID-19 related disruption on demand and supply chains based on the Company’s experience during the second quarter of 2020. In particular, it makes assumptions regarding the delivery of the Company’s current order book taking place in the remainder of 2020, together with the successful conversion of advanced sales prospects at conversion rates consistent with those experienced during the period July – September 2020.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern (continued)

In 2021 the base case forecast assumes demand returns to the levels experienced prior to the COVID -19 Pandemic, but at the reduced margins experienced in 2020. The base case forecast indicates that the Company is able to operate within the level of its facility with Shawbrook Bank and is able to comply with all of its covenants.

The Directors have also prepared a severe but plausible downside scenario which assumes there will be a further national lockdown commencing in the final quarter of 2020. In this scenario, sales and margins in the last quarter of 2020 have been assumed to be capped at the level of the current order book and known prospects. Sales and margins for January to March 2021 are assumed to reduce by a similar amount to that experienced in the worst month of the Q2 2020 lockdown, when all education facilities, which form a significant part of the Company's target market were closed, after which sales and margins are only assumed to return to the levels achieved in the equivalent months of 2020.

Under this severe but plausible downside forecast, the Company would remain solvent and generate sufficient cash to fund day-to-day operations but the wider Group's forecast consolidated results would be such that the financial covenants attached to the Cashflow Facility would be breached in March 2021. The directors of the immediate holding company are confident that, based on their discussions with Shawbrook Bank, should this severe downside scenario occur, the financial covenants would be reviewed at the appropriate time. However, there can be no certainty that Shawbrook will review the covenants and waive or reset them. The wider Group's forecast also indicates that, even in a severe downside scenario, should the Directors of the immediate holding company not be able to agree a waiver or reset of covenants with Shawbrook Bank, sufficient funds would be available to the wider Group by way of unutilised headroom available on the Receivables Facility to repay the balances due under the Cashflow Facility before it breaches the covenant thereby disapplying the financial covenants associated to the Receivables Facility and curing any breach that would otherwise have occurred. The directors of the Company have assessed this forecast and the available facilities and concur with the assessment. Under this scenario, the wider Group and the Company are able to operate within the level of its facility with Shawbrook Bank and are able to comply with the headroom covenant linked to the Receivables Facility. In this downside scenario, the Company would apply mitigating actions in relation to cost control and proactively managing the working capital cycle to remain in compliance with the headroom covenant.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Basic financial instruments

##### *Trade and other debtors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Investments in subsidiaries*

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less impairment.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### 1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

#### 1.6 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the Company.

At the acquisition date, the Company recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill. Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.13 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account so as to allocate the cost of assets less residual value over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Plant and equipment - 15% to 25% reducing balance or 33% to 100% straight line for new additions
- Motor vehicles - 25% reducing balance or 33% straight line for new additions

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

#### 1.8 Intangible assets and goodwill

##### Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

##### Software and other intangible assets

Software and other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

##### Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The useful lives are estimated at between 1 and 5 years based on the period over which economic benefit is expected to transfer to the Company.

Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 5 years.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

#### 1.10 Impairment excluding stocks and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the Company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss account. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.11 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### 1.13 Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is shown net of sales taxes and discounts.

##### *Product revenue*

Revenue is recognised from the sale of goods when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. This occurs when the buyer takes possession of the goods.

##### *Warranty revenue*

Sales of product warranties are included in the price of goods to which they relate and the directors do not consider the income to be separately identifiable. As such warranty income is recognised at the same point as product revenue and a provision is made for the estimated cost of warranty work.

##### *Apple warranty revenue*

Sales of extended warranties for Apple products are separately identifiable from product revenue. As such Apple warranties are credited to deferred income and recognised as revenue in the period to which they relate.

##### *Maintenance revenue*

Revenue generated in advance in respect of maintenance contracts is credited to deferred income and recognised as revenue in the period to which it relates.

##### *Repair and recycling revenue*

Revenue relating to the repair of products is recognised when the repair has been completed and invoiced to the customer. Revenue relating to the recycling of products is recognised when the item being recycled is sold or its components or constituent raw materials are sold (i.e. when the buyer takes possession of the recycled goods).

#### 1.14 Expenses

##### *Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Finance leases*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.14 Expenses(continued)

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities, finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

#### 1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

#### *Stock provisions*

The Company has recognised provisions for the impairment of stock. The estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

In the case of the provision for the impairment of stock, this covers obsolescence through technological or customer specific reasons. This provision is based on the assessment of stock value and ageing, quantities on hand, usage, changes in the market, technical developments and warranty periods. The value of stock in note 14 is net of the provision for the impairment of stock.

#### *Warranty provisions*

In the case of the provision for the future cost of meeting obligations under product warranties, this covers provision for labour and material component element of the future anticipated warranty work. This is based upon historical product and component failure rates, manufacturers' warranty periods, labour costs, process efficiency and other factors. Further details of this provision can be found in note 18.

**Notes (continued)**

**3 Turnover**

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

Turnover is analysed as follows:

	2019 £	2018 £
Sale of goods and integrated services	88,735,877	77,989,735
Provision of services	5,435,315	3,668,716
	94,171,192	81,658,451

**4 Expenses and auditor's remuneration**

Included in profit/loss are the following:

	2019 £	2018 £
Items held under operating leases:		
Plant and machinery	367,466	327,876
Other	399,000	399,000
Depreciation of tangible fixed assets	389,168	324,967
Amortisation of intangible assets, including goodwill	128,511	161,825
Research and development expensed as incurred	140,886	126,228
Exchange differences	(184,243)	(170,717)

*Auditor's remuneration:*

	£	£
Audit of these financial statements	40,000	38,000
Amounts receivable by the Company's auditor and its associates in respect of:		
Taxation compliance services	8,000	8,000
Other tax advisory services	1,500	1,500
Non audit services	-	12,493

**5 Operating exceptional items**

	2019 £	2018 £
Re-organisation costs	-	183,685
Insurance claim	-	(54,643)
Banking facility restructuring	160,840	-
	160,840	129,042

Costs associated with the restructuring of the Company's bank facility incurred during the year were expensed.

**Notes (continued)**

**6 Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Production and field services	125	93
Sales	99	67
Administrative	20	20
Customer services	31	28
	275	208

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	9,648,767	6,836,544
Social security costs	707,221	523,957
Pension costs	201,580	117,377
	10,557,568	7,477,878

**7 Directors' remuneration**

	2019 £	2018 £
Directors' emoluments	1,049,058	758,872
Company contributions to money purchase pension plans	46,424	39,384

Emoluments of the highest paid director were £296,792 (2018: £249,590). Pension contributions of £34,726 (2018: £34,042) were made to a money purchase scheme on his behalf.

**8 Interest receivable and similar income**

	2019 £	2018 £
Bank deposits	1,793	524

**9 Interest payable and similar charges**

	2019 £	2018 £
Finance leases and hire purchase contracts	3,846	3,846
Bank facility interest	266,267	288,993
	270,113	292,839

**Notes** (continued)

**10 Taxation**

**Total tax expense recognised in the profit and loss account**

	2019		2018	
	£	£	£	£
<i>Current tax</i>				
Current tax on income for the period	611,912		352,589	
Adjustments in respect of prior periods	-		(17,459)	
	<hr/>		<hr/>	
Total current tax		611,912		335,130
<i>Deferred tax (see note 18)</i>				
Origination and reversal of timing differences	20,977		2,962	
Adjustments in respect of previous periods	-		-	
	<hr/>		<hr/>	
Total deferred tax		20,977		2,962
		<hr/>		<hr/>
Total tax		632,889		338,092
		<hr/> <hr/>		<hr/> <hr/>

	2019		2018			
	Current tax £	Deferred tax £	Total tax £	Current tax £	Deferred tax £	Total tax £
Recognised in Profit and loss account	611,912	20,977	632,889	335,130	2,962	338,092
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Reconciliation of effective tax rate**

	2019	2018
	£	£
Profit for the year	2,596,856	1,433,725
Total tax expense	632,889	338,092
	<hr/>	<hr/>
Profit excluding taxation	3,229,745	1,771,817
Tax using the UK corporation tax rate of 19% (2018: 19%)	613,652	336,645
Income not taxable/expenses not deductible for tax purposes	15,092	3,400
Capital allowances for period less than depreciation	16,172	15,854
Group relief	(5,264)	-
Un-provided deferred tax asset/ movement	(6,763)	(348)
Adjustment in respect of previous periods	-	(17,459)
	<hr/>	<hr/>
Total tax expense included in profit or loss	632,889	338,092
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**10 Taxation (continued)**

*Factors that may affect future current and total tax charges*

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. This reduction was reversed in the 2020 Budget, for the tax years starting on 1 April 2020 and 1 April 2021. The deferred tax liability at 31 December 2019 has been calculated based on the rates expected to be in existence in the period of reversal.

**11 Intangible assets**

	<b>Goodwill</b>	<b>Software</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At beginning of year	1,563,808	2,265,434	3,829,242
Additions	118,526	38,782	157,308
	<hr/>	<hr/>	<hr/>
At end of year	1,682,334	2,304,216	3,986,550
	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>			
At beginning of year	1,563,808	1,800,603	3,364,411
Provision for year	6,134	122,377	128,511
	<hr/>	<hr/>	<hr/>
At end of year	1,569,942	1,922,980	3,492,922
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>112,392</b>	<b>381,236</b>	<b>493,628</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	464,831	464,831
	<hr/>	<hr/>	<hr/>

Goodwill acquired during the year arose on the acquisition of the trade and assets of Dino PC Limited on 31 May 2019. Goodwill represents the difference between the total of consideration paid and payable and the value of assets acquired as part of the transaction. The total of paid and contingent consideration was £100,000. Costs of £20,000 were also incurred. The book value of assets acquired amounted to £1,474. Of the total consideration, up to £50,000 is payable contingent on the trading performance of the acquired activity in the period to 31 May 2020 and has been included in other creditors.

Goodwill at the beginning of the year largely arose on the acquisition of the trade and assets of Compusys Limited and Rock Group plc during 2007 and 2008 respectively.

**Notes** *(continued)*

**12 Tangible fixed assets**

	<b>Motor vehicles £</b>	<b>Plant and equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At beginning of year	269,762	4,936,868	5,206,630
Additions	71,445	432,056	503,501
Disposals	(106,122)	-	(106,122)
	<hr/>	<hr/>	<hr/>
At end of year	235,085	5,368,924	5,604,009
	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>			
At beginning of year	153,616	3,818,442	3,972,058
Charge for the year	42,354	346,814	389,168
Disposals	(106,122)	-	(106,122)
	<hr/>	<hr/>	<hr/>
At end of year	89,848	4,165,256	4,255,104
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>145,237</b>	<b>1,203,668</b>	<b>1,348,905</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2018	116,146	1,118,426	1,234,572
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes amounts of £136,932 (2018: £112,913) within motor vehicles and plant and equipment in respect of assets held under finance lease and hire purchase contracts. These assets are pledged as security for the hire purchase liability.

Depreciation includes £40,903 (2018: £18,239) charged on assets held under finance leases.

**13 Investments**

On 14 August 2015, Stone Computers Limited acquired the entire issued share capital of Compusys Limited, a company registered in England & Wales, for £1 from a fellow group undertaking as part of a restructuring of the group. As this was a dormant company, the investment was written down to £Nil on acquisition. The registered address of Compusys Limited is the same as Stone Computers Limited.

**14 Stocks**

	<b>2019 £</b>	<b>2018 £</b>
Consumables and components	<b>6,131,391</b>	4,126,216
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

The cost of inventories expensed in the period and included within cost of sales was £75,598,043 (2018: £67,968,070). Impairment losses relating to damaged or obsolete inventories and included within cost of sales amounted to £249,603 (2018: £265,966).

**Notes** (continued)

**15 Debtors**

	2019 £	2018 £
Trade debtors	7,196,580	6,530,533
Amounts owed by group undertakings	11,579,788	8,847,312
Other debtors	146,749	84,660
Prepayments and accrued income	1,330,789	1,358,460
	20,253,906	16,820,965
	20,253,906	16,820,965

Amounts owed by Group undertakings are unsecured and repayable on demand.

**16 Creditors: amounts falling due within one year**

	2019 £	2018 £
Trade creditors	8,597,129	6,719,910
Corporation tax	261,512	352,589
Taxation and social security	301,595	206,503
Obligations under finance lease and hire purchase contracts	60,113	38,709
Other creditors	275,318	234,647
Accruals and deferred income	2,997,671	1,799,516
	12,493,338	9,351,874
	12,493,338	9,351,874

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

	2019 £	2018 £
Obligations under finance leases	19,714	40,960
Bank facility advance	3,415,475	3,977,322
	3,435,189	4,018,282
	3,435,189	4,018,282

The maturity of sources of debt finance is as follows:

**2019**

	Bank Facility £	Finance leases £	Total £
In one year or less or on demand	-	60,113	60,113
In more than one year but not more than five years	3,415,475	19,714	3,435,189
	3,415,475	79,827	3,495,302
	3,415,475	79,827	3,495,302

**Notes** (continued)

**17 Creditors: amounts falling due after more than one year** (continued)

2018

	<b>Bank Facility £</b>	<b>Finance leases £</b>	<b>Total £</b>
In one year or less or on demand	-	38,709	38,709
In more than one year but not more than five years	3,977,322	40,960	4,018,282
	<u>3,977,322</u>	<u>79,669</u>	<u>4,056,991</u>

The bank facility of up to £13.5 million forms part of a £17.5 million facility advanced to the group and is secured by a charge over the fixed and floating assets of the Company. The facility is committed until November 2022.

The interest rate charged is 2.4% above the base rate of the Bank of England.

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

**18 Provisions for liabilities**

	<b>Deferred taxation £</b>	<b>Warranty provision £</b>	<b>Total £</b>
At beginning of year	17,655	1,182,702	1,200,357
Debited/(credited) to statement of comprehensive income	20,977	(31,131)	(10,154)
<b>At end of year</b>	<b><u>38,632</u></b>	<b><u>1,151,571</u></b>	<b><u>1,190,203</u></b>

The warranty provision relates to the labour costs of engineers employed to deal with potential future warranty issues as well as component costs not covered by manufacturer's warranty. The Company provides warranties for up to 5 years which are reflected in the above provision.

*Deferred tax liability*

	<b>2019 £</b>	<b>2018 £</b>
Accelerated capital allowances	<b><u>38,632</u></b>	<u>17,655</u>

A summary of the deferred tax reconciliation is as follows:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2019 £</b>	<b>2018 £</b>	<b>2019 £</b>	<b>2018 £</b>	<b>2019 £</b>	<b>2018 £</b>
Accelerated capital allowances	-	-	<b>38,632</b>	17,655	<b>38,632</b>	17,655
Tax (assets)/liabilities	<u>-</u>	<u>-</u>	<u><b>38,632</b></u>	<u>17,655</u>	<u><b>38,632</b></u>	<u>17,655</u>

**Notes (continued)**

**19 Capital and reserves**

	2019 £	2018 £
<i>Authorised</i>		
23,685 Ordinary shares of £1 each	<b>23,685</b>	23,685
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1 ordinary shares of £1 each	<b>1</b>	1
	<hr/>	<hr/>

*Dividends:*

The profits of the Company are available for distribution in respect of each accounting period. In the event of winding-up the Company, surplus assets and retained profits of the Company, after payment of its liabilities, are available for distribution among the members. All shares carry voting rights of one vote per share.

**20 Financial instruments**

The Company's financial instruments may be analysed as follows:

	2019 £	2018 £
<b>Financial assets</b>		
Measured at amortised cost	<b>24,047,926</b>	21,023,487
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Measured at amortised cost	<b>8,507,978</b>	11,570,640
	<hr/>	<hr/>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, corporation tax payable, taxation and social security payable, obligations under finance leases and hire purchase contracts and the bank facility.

**21 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	2019 £	2018 £	2019 £	2018 £
Amounts falling due:				
Less than one year	<b>301,007</b>	399,000	<b>421,058</b>	320,925
Between one and five years	<b>1,805,000</b>	399,000	<b>403,871</b>	427,672
Over five years	<b>190,000</b>	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>2,296,007</b>	798,000	<b>824,929</b>	748,597
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes** *(continued)*

**22 Capital commitments**

	2019	2018
	£	£
Contracted but not provided for – tangible fixed assets	-	70,322
	<u>          </u>	<u>          </u>

**23 Contingent liabilities**

The Company has guaranteed certain borrowings (including accrued interest) in respect of its parent company, Granite One Hundred Holdings Limited, amounting to £3,889,000 (2018: £7,000,000).

The Company sells equipment with warranties which cover customers for the cost of repairs of any manufacturing defects that become apparent within periods varying from one to five years after purchase. A provision is made for the labour costs of warranty repairs, and also component parts (which constitute the significant cost) which are not covered by the manufacturers' warranties. Accordingly, the directors consider there to be no further contingent liability in respect of this arrangement.

**24 Related parties**

*Controlling parties*

The directors believe that Souter Kent Limited is the ultimate controlling party by virtue of its shareholding in the ultimate parent company.

*Related party transactions and balances*

RJD Partners Limited are considered a related party by virtue of an investment vehicle under their management holding shares in the ultimate parent company. RJD Partners Limited, charged a monitoring fee in the sum of £55,688 (2018: £54,029).

Souter Investments are considered a related party by virtue of an investment vehicle under their management holding shares in the ultimate parent company. Souter Investments appointed a non-executive director to the board of the ultimate parent company. The Company paid directors fees in the sum of £3,068 (2018: £nil) for his services as a director.

Key management personnel include all directors and a number of senior managers across the Company who together have authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided to the Company was £1,095,482 (2018: £1,121,561).

The Company made payments into a money purchase pension scheme for the benefit of its employees in the year amounting to £201,580 (2018: £117,377).

Family members of certain directors were employed by the Company during the year. Salaries paid to these individuals amounted to £20,209 (2018: £31,894).

**25 Ultimate parent company and parent company of larger group**

Stone Computers Limited is a wholly owned subsidiary of Granite One Hundred Holdings Limited. The ultimate parent undertaking is Stone Technologies Group Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Stone Technologies Group Limited, incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from Companies House. No other group accounts include the results of the Company.