
PYTHAGORAS COMMUNICATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019



PYTHAGORAS COMMUNICATIONS LIMITED

COMPANY INFORMATION

Directors	E Stone J Stone H Koutsoudakis (appointed 27 July 2018, resigned 27 February 2019) V Murria (appointed 27 July 2018)
Company secretary	E Stone
Registered number	03000842
Registered office	Ashwood House Grove Business Park White Waltham Maidenhead Berkshire SL6 3LW
Trading Address	Ashwood House Grove Business Park White Waltham Maidenhead Berkshire SL6 3LW
Independent auditors	Donald Reid Limited Chartered Accountants & Statutory Auditors Prince Albert House 20 King Street Maidenhead Berkshire SL6 1DT

PYTHAGORAS COMMUNICATIONS LIMITED

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PYTHAGORAS COMMUNICATIONS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Principal activities

Pythagoras is a professional services technology company building end-to-end solutions for customers that includes deploying our own products and platforms for customers across the Microsoft Cloud.

Business review and key performance indicators

For the financial year ended 31 March 2019 the Company continued its strategy of growing its core sector revenues. Key to this strategy has been the successful deployment of our Evolve product which uses low code to streamline business processes. Specifically, revenue growth was driven by an increasing number of new client wins in Microsoft Dynamics & Cloud Solutions.

Key Milestones include:

- awarded sole Microsoft provider status for London Ventures supplying London councils with consumer and customer engagement initiatives;
- achieved worldwide partner for Microsoft for the NFP sector under Microsoft strategic philanthropy Tech for Social Impact;
- announced key delivery partnerships with large system integrators highlighting our technology capability;
- first UK partner to implement new Microsoft Dynamics Marketing solutions;
- Microsoft Inner Circle Award (Top 2% of Worldwide partners);
- achieved Higher Education wins with over 30% of UK Universities;
- achieved Cyber Essentials Plus certification;
- announced Vin Murria OBE as a strategic investor.

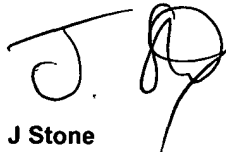
Principal risks and uncertainties

The Company reviews the risks facing the business on a regular basis. The key risks continue to be finding skilled resources. Pythagoras has increased the development of PyAcademy to enhance the internal training capability and promote learning in development across the business.

Future Plans

Pythagoras plans to focus on its core sectors of delivering professional services and deploying our own products and platforms for business transformation across our clients. The contracted backlog coverage and fee earners as a percentage of total staff are both growing steadily through the start of 2019. The Company is expecting to deliver revenue growth in excess of 10% for the financial year ended 31 March 2020.

This report was approved by the board on 1 October 2019 and signed on its behalf.



J Stone
Director

PYTHAGORAS COMMUNICATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

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

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group will continue in business.

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

Results and dividends

The profit for the year, after taxation, amounted to £76,721 (2018 - loss £266,670).

The initial profit in the last financial year, after taxation, amounted to £330,997. This has now converted to a loss of £266,670, after the restatement of comparatives due to a change in accounting policy. For further explanation on this, see note 24. Therefore, before the restatement of the profit and loss account, the company did have sufficient distributable reserves to declare a dividend of £194,000.

Directors

The directors who served during the year were:

E Stone

J Stone

H Koutsoudakis (appointed 27 July 2018, resigned 27 February 2019)

V Murria (appointed 27 July 2018)

PYTHAGORAS COMMUNICATIONS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

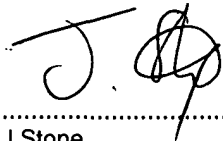
Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, Donald Reid Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



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J Stone
Director

Date: 1 October 2019

PYTHAGORAS COMMUNICATIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PYTHAGORAS COMMUNICATIONS LIMITED

We have audited the financial statements of Pythagoras Communications Limited for the year ended 31 March 2019, set out on pages 6 to 35. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2019 and of the Group's loss 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.

PYTHAGORAS COMMUNICATIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PYTHAGORAS COMMUNICATIONS LIMITED (CONTINUED)

Opinion on other matter 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 Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

Matters on which we are required to report by exception

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



Daniel Reid (FCA) (Senior statutory auditor)

for and on behalf of
Donald Reid Limited

Chartered Accountants
Statutory Auditors

Prince Albert House
20 King Street
Maidenhead
Berkshire
SL6 1DT

1 October 2019

PYTHAGORAS COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	As restated 2018 £
Turnover	4	9,097,164	8,649,441
Cost of sales		(4,607,596)	(4,695,785)
Gross profit		4,489,568	3,953,656
Administrative expenses		(4,812,615)	(4,671,597)
Operating loss	5	(323,047)	(717,941)
Interest receivable and similar income	9	10,860	1,238
Interest payable and expenses	10	(148)	(102)
Loss before taxation		(312,335)	(716,805)
Tax on loss	11	389,056	450,135
Profit/(loss) for the financial year		76,721	(266,670)
Owners of the parent Company		76,721	(266,670)
		76,721	(266,670)

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 17 to 35 form part of these financial statements.

PYTHAGORAS COMMUNICATIONS LIMITED
REGISTERED NUMBER: 03000842

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2019

	Note	2019 £	<i>As restated</i> 2018 £
Fixed assets			
Intangible assets	13	22,927	56,762
Tangible assets	14	135,873	177,898
		158,800	234,660
Current assets			
Debtors: amounts falling due within one year	16	2,083,745	2,090,451
Cash at bank and in hand	17	2,807,592	1,660,751
		4,891,337	3,751,202
Creditors: amounts falling due within one year	18	(2,834,159)	(3,644,694)
Net current assets		2,057,178	106,508
Total assets less current liabilities		2,215,978	341,168
Provisions for liabilities			
Deferred tax	20	(18,315)	(26,235)
Other provisions	21	(3,835)	(3,835)
		(22,150)	(30,070)
Net assets excluding pension asset		2,193,828	311,098
Net assets		2,193,828	311,098

PYTHAGORAS COMMUNICATIONS LIMITED
REGISTERED NUMBER: 03000842

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	22	903	723
Share premium account	23	2,381,005	381,176
Capital redemption reserve	23	128	128
Profit and loss account	23	(188,208)	(70,929)
Equity attributable to owners of the parent Company		<u>2,193,828</u>	<u>311,098</u>
		<u>2,193,828</u>	<u>311,098</u>

The financial statements on pages 6 to 35 were approved and authorised for issue by the board and were signed on its behalf on 1 October 2019.


E Stone
Director

The notes on pages 17 to 35 form part of these financial statements.

PYTHAGORAS COMMUNICATIONS LIMITED
REGISTERED NUMBER: 03000842

COMPANY BALANCE SHEET
AS AT 31 MARCH 2019

	Note	2019 £	As restated 2018 £
Fixed assets			
Intangible assets	13	181,757	326,884
Tangible assets	14	135,873	177,898
		<u>317,630</u>	<u>504,782</u>
Current assets			
Debtors: amounts falling due within one year	16	2,083,717	2,090,460
Cash at bank and in hand	17	2,807,592	1,658,447
		<u>4,891,309</u>	<u>3,748,907</u>
Creditors: amounts falling due within one year	18	(3,214,829)	(4,023,104)
Net current assets/(liabilities)		<u>1,676,480</u>	<u>(274,197)</u>
Total assets less current liabilities		<u>1,994,110</u>	<u>230,585</u>
Provisions for liabilities			
Deferred tax	20	(18,315)	(26,235)
Other provisions	21	(3,835)	(3,835)
		<u>(22,150)</u>	<u>(30,070)</u>
Net assets excluding pension asset		<u>1,971,960</u>	<u>200,515</u>
Net assets		<u><u>1,971,960</u></u>	<u><u>200,515</u></u>

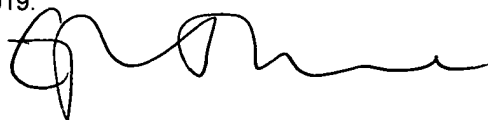
PYTHAGORAS COMMUNICATIONS LIMITED
REGISTERED NUMBER: 03000842

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2019

	Note	31 March 2019 £	As restated 31 March 2018 £
Capital and reserves			
Called up share capital	22	903	723
Share premium account	23	2,381,005	381,176
Capital redemption reserve	23	128	128
Profit and loss account	23	(410,076)	(181,512)
		<u>1,971,960</u>	<u>200,515</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 October 2019.

E Stone
Director



The notes on pages 17 to 35 form part of these financial statements.

PYTHAGORAS COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2018 (as previously stated)	723	381,176	128	1,009,013	1,391,040
Prior year adjustment	-	-	-	(1,079,942)	(1,079,942)
At 1 April 2018 (as restated)	723	381,176	128	(70,929)	311,098
Comprehensive income for the year					
Profit for the year	-	-	-	76,721	76,721
Total comprehensive income for the year	-	-	-	76,721	76,721
Dividends: Equity capital	-	-	-	(194,000)	(194,000)
Shares issued during the year	180	1,999,829	-	-	2,000,009
Total transactions with owners	180	1,999,829	-	(194,000)	1,806,009
At 31 March 2019	903	2,381,005	128	(188,208)	2,193,828

The notes on pages 17 to 35 form part of these financial statements.

PYTHAGORAS COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2017 (as previously stated)	723	381,176	128	678,016	1,060,043
Prior year adjustment	-	-	-	(482,275)	(482,275)
At 1 April 2017 (as restated)	<u>723</u>	<u>381,176</u>	<u>128</u>	<u>195,741</u>	<u>577,768</u>
Comprehensive income for the year					
Loss for the year	-	-	-	(266,670)	(266,670)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(266,670)</u>	<u>(266,670)</u>
At 31 March 2018	<u><u>723</u></u>	<u><u>381,176</u></u>	<u><u>128</u></u>	<u><u>(70,929)</u></u>	<u><u>311,098</u></u>

The notes on pages 17 to 35 form part of these financial statements.

PYTHAGORAS COMMUNICATIONS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 April 2018 (as previously stated)	723	381,176	128	898,419	1,280,446
Prior year adjustment	-	-	-	(1,079,931)	(1,079,931)
At 1 April 2018 (as restated)	<u>723</u>	<u>381,176</u>	<u>128</u>	<u>(181,512)</u>	<u>200,515</u>
Comprehensive income for the year					
Loss for the year	-	-	-	(34,564)	(34,564)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,564)</u>	<u>(34,564)</u>
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(194,000)	(194,000)
Shares issued during the year	180	1,999,829	-	-	2,000,009
Total transactions with owners	<u>180</u>	<u>1,999,829</u>	<u>-</u>	<u>(194,000)</u>	<u>1,806,009</u>
At 31 March 2019	<u><u>903</u></u>	<u><u>2,381,005</u></u>	<u><u>128</u></u>	<u><u>(410,076)</u></u>	<u><u>1,971,960</u></u>

The notes on pages 17 to 35 form part of these financial statements.

PYTHAGORAS COMMUNICATIONS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2017 (as previously stated)	723	381,176	128	567,368	949,395
Prior year adjustment	-	-	-	(482,295)	(482,295)
At 1 April 2017 (as restated)	<u>723</u>	<u>381,176</u>	<u>128</u>	<u>85,073</u>	<u>467,100</u>
Comprehensive income for the year					
Loss for the year	-	-	-	(266,585)	(266,585)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(266,585)</u>	<u>(266,585)</u>
At 31 March 2018	<u><u>723</u></u>	<u><u>381,176</u></u>	<u><u>128</u></u>	<u><u>(181,512)</u></u>	<u><u>200,515</u></u>

The notes on pages 17 to 35 form part of these financial statements.

PYTHAGORAS COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	As restated 2018 £
Cash flows from operating activities		
Profit/(loss) for the financial year	76,721	(266,670)
Adjustments for:		
Amortisation of intangible assets	33,835	188,926
Depreciation of tangible assets	108,375	116,986
Interest paid	148	102
Interest received	(10,860)	(1,238)
Taxation charge	(389,056)	(450,135)
(Increase)/decrease in debtors	(50,595)	441,166
(Decrease)/increase in creditors	(793,194)	767,932
Increase/(decrease) in provisions	-	(20,334)
Corporation tax received	438,449	286,345
Net cash (used)/generated from operating activities	(586,177)	1,063,080
Cash flows from investing activities		
Purchase of tangible fixed assets	(66,350)	(54,906)
Interest received	10,860	1,238
Net cash (used)/generated from investing activities	(55,490)	(53,668)
Cash flows from financing activities		
Issue of ordinary shares	2,000,009	-
Repayment of other loans	(17,353)	(1,174,955)

PYTHAGORAS COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
Dividends paid	(194,000)	-
Interest paid	(148)	(102)
Net cash generated/(used) in financing activities	1,788,508	(1,175,057)
Net increase/(decrease) in cash and cash equivalents	1,146,841	(165,645)
Cash and cash equivalents at beginning of year	1,660,751	1,826,396
Cash and cash equivalents at the end of year	2,807,592	1,660,751
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,807,592	1,660,751
	2,807,592	1,660,751

The notes on pages 17 to 35 form part of these financial statements.

PYTHAGORAS COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. General information

Pythagoras Communications Limited is a company limited by shares. The Company was incorporated in England and Wales. The registered office is Ashwood House, Grove Business, Park, White Waltham, Maidenhead, Berkshire, SL6 3LW.

The principal activity of the Company and Group continued to be that of software consultancy, support and supply.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and that the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

There are three main sources of revenue which is made up of consultancy, licences, and maintenance and other support. For further segmentation of revenue refer to note 4 in the financial statements.

Consultancy and managed service revenue

Consultancy and managed service revenue is recognised once the services are provided and in accordance with the stage of completion of the contract once all the following conditions are satisfied;

- the amount of revenue can be measured reliably,
- it is probable that the Group will receive the consideration due under the contract,
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and
- the costs incurred and the costs to complete the contract can be measured reliably

Licensing revenue

Licensing revenue is provided on either a subscription or consumption basis which allows the customer to use the software over the contract period, including any upgrades. Therefore, revenue is recognised evenly over the contract period as customers consume and receive benefits.

Software, maintenance and other support revenue

Software, maintenance and other support revenue is initially recognised upfront at the point of sale. Therefore, revenue is recognised when the following conditions are satisfied;

- the Group has transferred the significant risks and rewards of ownership to the buyer,
- the Group 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 Group will receive the consideration due under the transaction and,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In respect of the different types of revenue detailed above, where payments have been received in advance for the services not yet delivered at the reporting date, those revenues are classified as deferred income on the Group's balance sheet.

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and loss account over its deemed useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation is provided on the following basis:

Short term leasehold property	- Over a period of 3 years
Fixtures and fittings	- 20% to 50% straight line
Office equipment	- 20% to 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 the Consolidated statement of comprehensive income.

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 best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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.

PYTHAGORAS COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.15 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.16 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

PYTHAGORAS COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.18 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.19 Research and development

The Company elects to expense all research and development expenditure when it is incurred. In prior periods, the Company capitalised all development expenditure as intangible assets when specific criteria had been met. This change in accounting policy has been detailed further in note 25.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

Goodwill and intangible assets

The group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, and any legal and regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

4. Turnover

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

	2019 £	<i>As restated</i> 2018 £
Software/Licencing	1,034,442	989,858
Consultancy	5,625,874	5,620,279
Maintenance and support	2,436,848	2,039,304
	<u>9,097,164</u>	<u>8,649,441</u>

Analysis of turnover by country of destination:

	2019 £	<i>As restated</i> 2018 £
United Kingdom	9,097,164	8,649,441
	<u>9,097,164</u>	<u>8,649,441</u>

5. Operating loss

The operating loss is stated after charging:

	2019 £	<i>As restated</i> 2018 £
Depreciation of tangible fixed assets	108,375	116,986
Amortisation of intangible assets, including goodwill	33,835	188,927
Fees payable to the Group's auditor and its associates for the audit of the company's annual financial statements	9,500	9,500
Exchange differences	3,523	460
Defined contribution pension cost	177,075	140,331
	<u>177,075</u>	<u>140,331</u>

6. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £34,564 (2018 - loss £266,585).

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

7. Employees

There are no differences between Group and Company staff costs. Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	<i>Group 2018 £</i>
Wages and salaries	6,371,338	6,139,922
Social security costs	730,419	692,266
Cost of defined contribution scheme	177,075	140,331
	<u>7,278,832</u>	<u>6,972,519</u>

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

	2019 No.	<i>2018 No.</i>
Office	115	121

8. Directors' remuneration

	2019 £	<i>2018 £</i>
Directors' emoluments	216,075	117,982
Company contributions to defined contribution pension schemes	50,000	20,000
	<u>266,075</u>	<u>137,982</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

9. Interest receivable

	2019 £	2018 £
Other interest receivable	10,860	1,238
	<u>10,860</u>	<u>1,238</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	148	102
	<u>148</u>	<u>102</u>

11. Taxation

	2019 £	As restated 2018 £
Corporation tax		
Current tax on profits for the year	(381,136)	(438,451)
Adjustments in respect of previous periods	-	826
Total current tax	<u>(381,136)</u>	<u>(437,625)</u>
Deferred tax		
Origination and reversal of timing differences	(7,920)	(12,510)
Total deferred tax	<u>(7,920)</u>	<u>(12,510)</u>
Taxation on loss on ordinary activities	<u>(389,056)</u>	<u>(450,135)</u>

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(312,335)</u>	<u>(716,805)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(59,344)	(136,193)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,417	31,117
Research and development tax allowances leading to a decrease in the tax charge	(342,149)	(381,038)
Other differences leading to an increase (decrease) in the tax charge	1,591	75
Amortisation of goodwill	6,429	35,904
Total tax charge for the year	<u>(389,056)</u>	<u>(450,135)</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2019 £	2018 £
Equity Dividends	194,000	-
	<u>194,000</u>	<u>-</u>

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

13. Intangible assets

Group

	Development expenditure £	Goodwill £	Total £
Cost			
At 1 April 2018 (as restated)	1,502,887	824,304	2,327,191
Prior Year Adjustment	(1,502,887)	-	(1,502,887)
	<hr/>	<hr/>	<hr/>
At 1 April 2018 (as restated)	-	824,304	824,304
	<hr/>	<hr/>	<hr/>
At 31 March 2019	-	824,304	824,304
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 April 2018 (as previously stated) (as restated)	201,735	767,542	969,277
Prior Year Adjustment	(201,735)	-	(201,735)
	<hr/>	<hr/>	<hr/>
At 1 April 2018 (as restated)	-	767,542	767,542
Charge for the year	-	33,835	33,835
	<hr/>	<hr/>	<hr/>
At 31 March 2019	-	801,377	801,377
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2019	-	22,927	22,927
	<hr/>	<hr/>	<hr/>
At 31 March 2018 (as restated)	-	56,762	56,762
	<hr/>	<hr/>	<hr/>

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

13. Intangible assets (continued)

Company

	Development expenditure £	Goodwill £	Total £
Cost			
At 1 April 2018 (as previously stated)	1,502,886	1,109,740	2,612,626
Prior Year Adjustment	(1,502,886)	-	(1,502,886)
At 1 April 2018 (as restated)	-	1,109,740	1,109,740
At 31 March 2019	-	1,109,740	1,109,740
Amortisation			
At 1 April 2018 (as previously stated)	201,735	782,856	984,591
Prior Year Adjustment	(201,735)	-	(201,735)
At 1 April 2018 (as restated)	-	782,856	782,856
Charge for the year	-	145,127	145,127
At 31 March 2019	-	927,983	927,983
Net book value			
At 31 March 2019	-	181,757	181,757
At 31 March 2018 (as restated)	-	326,884	326,884

PYTHAGORAS COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

14. Tangible fixed assets

Group and Company

	Short-term leasehold property £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 April 2018	12,536	136,827	488,832	638,195
Additions	-	3,786	62,564	66,350
At 31 March 2019	<u>12,536</u>	<u>140,613</u>	<u>551,396</u>	<u>704,545</u>
Depreciation				
At 1 April 2018	12,027	106,477	341,793	460,297
Charge for the year on owned assets	509	17,466	90,400	108,375
At 31 March 2019	<u>12,536</u>	<u>123,943</u>	<u>432,193</u>	<u>568,672</u>
Net book value				
At 31 March 2019	<u>-</u>	<u>16,670</u>	<u>119,203</u>	<u>135,873</u>
At 31 March 2018	<u>509</u>	<u>30,350</u>	<u>147,039</u>	<u>177,898</u>

The net book value of land and buildings may be further analysed as follows:

	2019 £	2018 £
Short leasehold	-	509
	<u>-</u>	<u>509</u>

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2018	867,662
At 31 March 2019	<u>867,662</u>
Impairment	
At 1 April 2018	867,662
At 31 March 2019	<u>867,662</u>
Net book value	
At 31 March 2019	<u>-</u>
At 31 March 2018	<u>-</u>

The following were subsidiary undertakings of the Company:

Point Beyond Limited

The Company owns 100% of the issued share capital. The only share class of the subsidiary is Ordinary. The principal activity of the subsidiary is that of Software consultancy, support and supply.

Creative Sharepoint Limited

The Company owns 100% of the issued share capital. The share classes of the subsidiary are A and B. The principal activity of the subsidiary is that of Software consultancy, support and supply.

PYTHAGORAS COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

16. Debtors

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Trade debtors	1,453,674	1,291,978	1,453,669	1,291,978
Other debtors	412,564	457,039	412,541	457,049
Prepayments and accrued income	217,507	341,434	217,507	341,433
	<u>2,083,745</u>	<u>2,090,451</u>	<u>2,083,717</u>	<u>2,090,460</u>

17. Cash and cash equivalents

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Cash at bank and in hand	2,807,592	1,660,751	2,807,592	1,658,448
	<u>2,807,592</u>	<u>1,660,751</u>	<u>2,807,592</u>	<u>1,658,448</u>

18. Creditors: Amounts falling due within one year

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Other loans	-	17,349	-	17,349
Trade creditors	246,299	308,457	246,294	308,457
Other taxation and social security	533,060	714,482	533,052	714,481
Other creditors	23,922	20,623	404,605	399,034
Accruals and deferred income	2,030,878	2,583,783	2,030,878	2,583,783
	<u>2,834,159</u>	<u>3,644,694</u>	<u>3,214,829</u>	<u>4,023,104</u>

PYTHAGORAS COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

19. Financial instruments

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>4,675,366</u>	<u><i>3,409,766</i></u>	<u>4,675,366</u>	<u><i>3,407,464</i></u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(505,309)</u>	<u><i>(1,080,476)</i></u>	<u>(885,991)</u>	<u><i>(1,217,177)</i></u>

Financial assets measured at amortised cost comprise cash at bank, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and loans.

20. Deferred taxation

Group and Company

	2019 £	2018 £
At beginning of year (as restated)	26,235	38,745
Charged to profit or loss	(7,920)	(12,510)
At end of year	<u>18,315</u>	<u>26,235</u>

The provision for deferred tax is made up of a liability of £22,387 (2018: £29,296) relating to accelerated capital allowances and an asset relating to other temporary timing differences of £4,072 (2018: £3,061).

21. Provision

Group and Company

	Dilapidation £
At 1 April 2018	3,835
At 31 March 2019	<u>3,835</u>

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

22. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
9,033,000 (2018 - 0) Ordinary shares of £0.0001- each	903.30	-
7,164 (2018 - 7,164) A shares of £0.10 each	-	716.50
50 (2018 - 50) B shares of £0.10 each	-	5.00
11 (2018 - 11) C shares of £0.10 each	-	1.10
	<u>903.30</u>	<u>722.60</u>

During the year, 1,808 ordinary shares £0.10 each were issued for a total consideration of £2,000,009. The 7,164 A shares, 50 B shares and 11 C shares were all converted into ordinary shares. Then, the 9,033 of ordinary shares £0.10 each were sub-divided into 9,033,000 ordinary shares £0.0001 each.

23. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Profit and loss account

Includes all current and prior period retained profits and losses.

24. Prior year adjustment

All staff costs which were initially capitalised in relation to the IP development (other intangibles) and amortised over its useful economic life, will now be expensed as staff costs to the profit and loss account as incurred. This change in accounting policy has been applied to the current period and retrospectively applied to the prior period presented in the financial statements.

The comparatives have been restated in order to remove amortisation amounting to £201,735 and the capitalised costs totalling £1,502,886, of which £nil of the amortisation and £588,157 related to expenses incurred in periods prior to the year ended 31 March 2018. As a result of this restatement the prior year deferred tax charge and deferred tax liability were restated by £115,483 and £221,201 respectively. These restatements have resulted in a corresponding decrease to the profit by £597,667, in respect of the year ended 31 March 2018 and a decrease in net assets at 31 March 2018 of £1,079,952.

The directors carried out these restatements as they believe they better enable the accounts to show a true and fair view.

PYTHAGORAS COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

25. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £177,075 (2018: £140,331).

Contributions totalling £23,922 (2018: £17,938) were payable to the fund at the balance sheet date and are included in creditors.

26. Commitments under operating leases

There are no differences between Group and Company commitments under operating leases. At 31 March 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	<i>Group 2018 £</i>
Not later than 1 year	178,762	<i>101,886</i>
Later than 1 year and not later than 5 years	140,888	<i>246,703</i>
	319,650	<i>348,589</i>

27. Related party transactions

During the period, equity distributions of £194,000 (2018: £Nil) were made to J Stone, director. A balance of £23,849 (2018: £nil) due from the company to Cariso Limited was written off during the period.

28. Controlling party

The company is controlled by E stone and J Stone, directors, by virtue of their combined shareholding.