
Stone Technologies Limited

(formerly Stone Computers Limited)

**Annual report and financial
statements**

Registered number 02658501

For the year ended 31 December 2020



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Strategic report

Business model

Stone Technologies Limited (the “Company” or “Stone”) is the new name of the principal trading company within the Stone Group. The company name was changed from Stone Computers Limited on 23 November 2020 as part of a rebranding exercise to align the trading company name with the group holding company, Stone Technologies Group Limited and to reflect the growing importance of non-device services and solutions to the ongoing success of the Group.

Stone Technologies Limited 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 - desktop and notebook PC's, tablets, servers and workstations;
- IT solutions – networking & storage, software, audio visual and other peripheral products;
- related professional services - infrastructure design, project management, implementation;
- IT Asset Disposition and lifecycle management services; and
- managed services, support, 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.

The launch of our new Stone 360® app has simplified the process of secure IT asset disposal for companies large and small, making sustainable IT asset lifecycle management a much simpler process and enabling organisations to address the growing global electronic waste crisis in a meaningful way. Stone is proud to be taking a leading role in our industry on this important environmental and social issue.

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

Having completed a transaction that brought new investment and funding to the Stone Group from Souter Investments and Shawbrook Bank in November 2019 alongside continued support from RJD Partners, the Company entered 2020 with a sense of confidence and expectation. Record trading results for the first quarter increased our levels of optimism for the year. Then the COVID-19 pandemic arrived. The second quarter proved extremely challenging to Stone, along with the majority of businesses in the UK, as the national lockdown prevented our ITAD and engineering services from operating. Trading was also impacted by the uncertainty as to how long lockdown measures would be required, with our school and university customers particularly affected. During this period of uncertainty the Company availed itself of certain government support measures, principally the ability to furlough staff undertaking those activities that had been unable to continue during periods of lockdown. Amounts received pursuant to the Coronavirus Job Retention Scheme have been accounted for as government grants and reported under other operating income. Notwithstanding these challenges, Stone maintained an operational presence throughout lockdown and supported our NHS and emergency services customers in providing and supporting their technology requirements. As the country came to terms with how to live with the virus, customer confidence returned and trading performance improved, culminating in a record fourth quarter result.

Strategic report *(continued)*

For the year as a whole, the Company delivered a strong trading performance with turnover increasing by 25% to £117.8 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 continued to prove successful and continues to provide confidence for further, profitable growth in 2021 and beyond. We continued to enhance our market position within the UK public sector and develop our infrastructure services, IT asset disposition and lifecycle services and repair offerings whilst, at the same time, continuing to build on our core end user device business, further 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 £19.3 million (16.4%), an increase of £1 million when compared to the previous year. Margins were reduced as the pandemic drove a change in product mix and temporarily impeded the Company's ability to operate its IT asset disposition and engineering services. Operating profit before depreciation, amortisation and exceptional costs (EBITDA) was £4.24 million, compared to the previous year's £4.18 million. Profit before taxation increased to £3.56 million (2019: £3.23 million).

As noted above, the Company secured new banking facilities at the end of 2019 and now manages its working capital requirements through a £13.5m facility with Shawbrook Bank, committed until November 2022. At the year end, £3.6 million of the facility was utilised (2019: £3.4 million) although a healthy cash balance of £5.7 million at the year end (2019: £5.1 million) enabled the Company to report a net cash balance of £2.3 million (2019: net cash balance of £1.7 million).

The Company entered 2021 with momentum and has traded ahead of plan in the first quarter despite the challenges faced because of the third national COVID-19 lockdown.

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.

Streamlined Energy & Carbon Reporting (SECR) disclosure

The Company is committed to the pursuit of sustainable growth in all business activities, encompassing environmental, social and economic aspects and has committed to work towards four of the United Nations' Sustainable Development Goals (SDGs);

- No.8: Decent work & economic growth
- No.9: Industry, innovation and infrastructure
- No.12: Responsible consumption & production
- No.16: Peace, justice & strong institutions

The Company publishes an annual Sustainability Report setting out further information on how business operations are aligned with these SDGs.

The Company is required to present information in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 for the first time in this Annual Report. Data is presented in respect of our most significant environmental aspect, energy consumption and associated greenhouse gas (GHG) emissions relating to our facility in Stafford. The data aligns with our financial reporting calendar and therefore reports the year ending 31 December 2020 with comparatives for the year ended 31 December 2019. Scope 1 emissions represent direct emissions from natural gas consumption used in the heating system and transport related energy consumption for company vehicles. Scope 2 emissions are indirect emissions from the generation of purchased electricity. Our GHG emissions have been reported using WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as a framework.

Strategic report (continued)

Emissions source	Scope	Consumption		Emissions (tCO2e)	
		2020	2019	2020	2019
Natural gas for heating	1	251,780Kwh	416,871Kwh	46.3	76.6
Electricity purchased	2	629,649Kwh	714,842Kwh	146.8	182.7
Company vehicles	1	149,990 litres	188,572 litres	373.33	475.8
Grey fleet vehicles	3			566.43	735.1
				13.8	note 1
				580.3	
Intensity total (tCO2e per £1m of revenue)					
Scope 1 & 2				4.81	7.80
Intensity total (tCO2e per employee - grey fleet only)					
Scope 3				0.73	note 1

Note 1: Information in respect of employees using their own vehicles for business use is based on business miles claimed and conversion factors published by the Department of Transport. As the collation of historic data is a manual process, no comparative figures have been produced.

Stone has chosen to report an intensity measure of emissions per £1m of revenue for scope 1 & “ emissions, which the directors believe to be the best representation of how emissions are impacted by the growth of the business. Whilst conscious of the impact of the COVID-19 pandemic and associated lockdowns, we are pleased to report a 38% reduction in this intensity measure. The intensity measure for emissions generated by employees using their own vehicles on company business (the grey fleet), scope 3, has been set as emissions per employee participating in the scheme.

The Stone Group has been conscious of its environmental obligations for many years and has been proactive in adopting energy efficient methods of operation, such as the installation of LED lighting in 2016. During 2020 the focus has been on reducing emissions relating to vehicles. Operational changes have been implemented that include bringing certain operations in house to eliminate the need for transporting of devices to subcontractors and introducing a mobile shredding service to increase vehicle load capacity. With effect from 1 May 2020 all new company cars added to the fleet were required to have an emissions rating of less than 100g/km.

The Company is also developing its business model to provide services of value to businesses within the UK and Europe with the specific aim of promoting the circular economy and reducing electronic waste (‘e-waste’). With figures rising every year, e-waste is one of the fastest growing waste streams in the world and is harmful to the planet. Stone has spearheaded the green revolution in the IT sector for many years, having been the only original equipment manufacturer (OEM) and IT Solution provider with its own on-site recycling facility since 2010 and our business continues to lead the way in making a change. Stone also provides a remanufacturing service, which makes a significant contribution towards a circular economy, the benefits of this include:

- Lower CO2 emissions - Research indicates the UK could save 2.8 million tonnes of CO2 emissions if we recycled unwanted electricals instead of storing them or throwing them away
- Reducing global warming
- Reducing the need to mine for raw materials to produce new equipment

Strategic report *(continued)*

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 is, by nature, one of rapid change and development creating both uncertainty and opportunity. Average prices and gross margins fluctuate in line with product lifecycles and the introduction of new services. The Company differentiates itself within its markets through the provision of the most up to date, relevant and effective 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.

COVID-19 risk impact

The spread of the Corona virus pandemic continues to cause concern. Changes to working practices were implemented to ensure appropriate social distancing measures could be maintained. Whilst current UK infection rates and hospitalisations appear to suggest an improving situation, it was apparent from the events of 2020 that the virus has the potential to mutate. As a result there remains a degree of uncertainty over future events and any potential consequences for the Company. The following are some of the key risks posed by the pandemic and the mitigation strategies adopted.

- **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. Fortunately the Company is well positioned to provide technology solutions that enable working from home and this provided an amount of resilience in 2020.
- **Financial:** Increased market risk and the potential for reduced profitability heightens liquidity risk. The Company has previously taken 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 continues to operate well within the financial covenants applicable to the debt facility.
- **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 with no immediate plan for a return to the office. 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.

Strategic report *(continued)*

Governance

Stone Technologies 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.

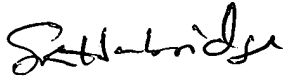
Key Performance Indicators

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
Chief Executive Officer

2 June 2021

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2020.

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 (2019: £Nil).

Dividends

As part of a restructuring, the Company paid a dividend of £4.33 million (2019: £nil) to the immediate parent undertaking, Granite One Hundred Holdings Limited

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 18-month period from the date of approval of these financial statements. The forecasts make assumptions in respect of future market conditions and the potential for COVID-19 related disruption on demand and supply chains based on the effects experienced in 2020 and the first quarter of 2021. 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 16 of the financial statements.

Directors' report *(continued)*

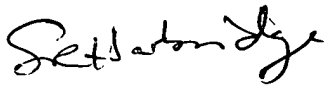
Disclosure of information to auditor

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
Chief Executive Officer

Granite One Hundred
Acton Gate
Stafford
ST18 9AA

2 June 2021

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
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Stone Technologies Limited

Opinion

We have audited the financial statements of Stone Technologies Limited ("the company") for the year ended 31 December 2020 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The 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 18 months from the date of approval of the financial statements ("the going concern period").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

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

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that sales are recorded in the wrong period and the risk that Company management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as warranty provision assumptions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unexpected accounts such as sales and cash.
- Assessing when revenue was recognised, particularly focusing on revenue recognised in the days before and after the year end date, and whether it was recognised in the correct year.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report to the members of Stone Technologies Limited

(continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety and recognising the regulated nature of the Company's activities as a producer and recycler of electrical and electronic equipment being classed as upper tier for the Waste Electrical and Electronic Equipment regulations. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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.

Independent auditor's report to the members of Stone Technologies Limited

(continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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.

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

2 June 2021

Profit and loss account and other comprehensive income
for the year ended 31 December 2020

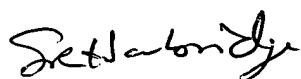
	<i>Note</i>	2020 £	2019 £
Turnover	3	117,810,328	94,171,192
Cost of sales		(98,500,686)	(75,847,646)
Gross profit		19,309,642	18,323,546
Administrative expenses		(16,399,236)	(14,825,481)
Other operating income	6	771,890	-
Operating profit before depreciation, amortisation and operating exceptional items			
		4,241,355	4,176,584
Depreciation and amortisation	4	(505,979)	(517,679)
Operating exceptional items	5	(53,080)	(160,840)
Operating profit	4	3,682,296	3,498,065
Interest receivable and similar income	8	1,112	1,793
Interest payable and similar charges	9	(124,797)	(270,113)
Profit before taxation		3,558,611	3,229,745
Taxation	10	(662,968)	(632,889)
Profit for the financial year and total comprehensive income		2,895,643	2,596,856

All amounts relate to continuing activities.

Balance Sheet
at 31 December 2020

	<i>Note</i>	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	11		649,619		493,628
Tangible assets	12		1,376,880		1,348,905
			<u>2,026,499</u>		<u>1,842,533</u>
Current assets					
Stocks	14	7,502,139		6,131,391	
Debtors	15	21,959,371		20,253,906	
Cash at bank and in hand		5,733,092		5,124,809	
		<u>35,194,602</u>		<u>31,510,106</u>	
Creditors: amounts falling due within one year	16	(17,551,674)		(12,493,338)	
Net current assets			<u>17,642,928</u>		<u>19,016,768</u>
Total assets less current liabilities			<u>19,669,427</u>		<u>20,859,301</u>
Creditors: amounts falling due after more than one year	17		(3,587,159)		(3,435,189)
Provisions for liabilities and charges	18		(1,282,716)		(1,190,203)
Net assets			<u>14,799,552</u>		<u>16,233,909</u>
Capital and reserves					
Called up share capital	19		1		1
Profit and loss account			14,799,551		16,233,908
Shareholders' funds			<u>14,799,552</u>		<u>16,233,909</u>

These financial statements were approved by the board of directors on 2nd June 2021 and were signed on its behalf by:



SR Harbridge
Chief Executive Officer



A Frost
Chief Financial Officer

Company registered number: 02658501

Statement of changes in equity

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2019	1	13,637,052	13,637,053
Total comprehensive profit for the period			
Retained Profit	-	2,596,856	2,596,856
	<u>-</u>	<u>2,596,856</u>	<u>2,596,856</u>
Total comprehensive profit for the period	-	2,596,856	2,596,856
	<u>-</u>	<u>2,596,856</u>	<u>2,596,856</u>
Balance at 31 December 2019	1	16,233,908	16,233,909
	<u>1</u>	<u>16,233,908</u>	<u>16,233,909</u>
Balance at 1 January 2020	1	16,233,908	16,233,909
Total comprehensive profit for the period			
Retained Profit	-	2,895,643	2,895,643
	<u>-</u>	<u>2,895,643</u>	<u>2,895,643</u>
Total comprehensive profit for the period	-	2,895,643	2,895,643
	<u>-</u>	<u>2,895,643</u>	<u>2,895,643</u>
Transactions with shareholders			
Payment of dividend	-	(4,330,000)	(4,330,000)
	<u>-</u>	<u>(4,330,000)</u>	<u>(4,330,000)</u>
Total transactions with shareholders	-	(4,330,000)	(4,330,000)
	<u>-</u>	<u>(4,330,000)</u>	<u>(4,330,000)</u>
Balance at 31 December 2020	1	14,799,551	14,799,552
	<u>1</u>	<u>14,799,551</u>	<u>14,799,552</u>

Notes

(forming part of the financial statements)

1 Accounting policies

Stone Technologies 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, committed until November 2022. This facility, together with a £4m Cashflow Facility advanced to the Company’s immediate parent undertaking, Granite One Hundred Holdings Limited, are subject to the same fixed charge coverage and adjusted leverage covenants measured by reference to the consolidated profit and indebtedness of the two companies as well as a receivables headroom covenant. In the event of the repayment of the Cashflow Facility, the Receivables Facility would be subject to only the existing headroom covenant. At 30 April 2021, the Company held cash balances of £3.3m and had drawn £3.2m of the £13.5m available under the Receivables Facility and the balance outstanding on the Cashflow facility was £2.1m.

The directors have prepared trading and cash flow forecasts for the 18-month period to 30 November 2022. The base case forecast includes assumptions in respect of future market conditions, including the extended lead times on the availability of certain products caused by on-going industry-wide shortages of components and further potential COVID-19 related disruption on demand and supply chains based on the Company’s experience during 2020 and in the first quarter of 2021. In particular, it makes assumptions regarding the delivery of the Company’s current order book taking place in the remainder of 2021, together with the successful conversion of advanced sales prospects at conversion rates consistent with those experienced during 2020.

Having reported results in excess of budget in the first quarter of 2021, the base case forecast assumes results are in line with budget for the second and third quarters with modest outperformance against budget in the fourth quarter as a result of investment in a number of strategic initiatives currently being undertaken.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

The budgeted figures are more representative of trading prior to the COVID-19 pandemic, other than in respect of margins, which are forecast to be more closely aligned to those experienced in 2020. The forecast for 2022 assumes sector specific growth rates which have been applied to the 2021 forecast. The base case forecast indicates that the Company is able to operate within the level of its Receivables facility and its immediate parent company, within the level of its Cashflow facility, and that all companies remain compliant with all covenants throughout the forecast period.

The directors have also prepared a severe but plausible downside scenario which uses the record result achieved in the first quarter of 2021 as a base and then assumes that the results experienced for the rest of the year are no better than those achieved for the same period in 2020. This has been achieved by assuming that the Q2 results are derived from delivering the current order book and short term pipeline, the Q3 results are the same as those achieved in Q3, 2020 and the Q4 results are in line with budget which anticipated a reduction in gross profit from that achieved in 2020. The 2022 severe but plausible downside forecast assumes that the same sector specific growth rates which have been assumed for the base case forecast have been applied to the lower level of sales assumed in the severe but plausible downside forecast for 2021 from April 2022 but the record results achieved in Q1, 2021 are replaced by the results achieved in Q1, 2020.

Under this severe but plausible downside forecast, when mitigating actions are taken in relation to dividend assumptions and recruitment, the Company would be able to meet its liabilities as they fall due, remain covenant compliant and operate within its committed facilities. A further, more pessimistic downside scenario modelled for illustrative purposes only assumes no mitigating actions are taken to address reduced levels of sales. Even on this basis, the forecast demonstrates that the immediate parent company's outstanding Cash Flow Facility could be repaid early to avoid potential covenant breaches on this facility. Sufficient funds would be available to the Company by way of the unutilised headroom available on the Receivables Facility to repay the Cash Flow Facility, and the Company would remain compliant with the remaining headroom covenant on the Receivables Facility throughout the forecast period.

The company's facility with Shawbrook Bank is due to expire in November 2022. Negotiations have not yet begun, however the directors note renewal of the facility will be with a standard, receivables only facility, which the directors understand is readily available and they have a reasonable expectation will proceed successfully.

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.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes (continued)

1 Accounting policies (continued)

1.5 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.

1.6 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.

1.16 Government grants

Government grants are recognised when there is reasonable assurance the grants will be received and the conditions of the grant will be complied with. Government grants are recognised in the profit and loss account as other operating income where the grants are intended to compensate for costs incurred. Grants relating to fixed assets and other expenditure of a capital nature are deducted from the carrying amount of the asset.

Notes (continued)

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.

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:

	2020 £	2019 £
Sale of goods and integrated services	86,895,328	72,131,192
Provision of services	30,915,000	22,040,000
	<hr/>	<hr/>
Total turnover	117,810,328	94,171,192
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020	2019
	£	£
Items held under operating leases:		
Plant and machinery	383,182	367,466
Other	429,479	399,000
Depreciation of tangible fixed assets	348,317	389,168
Amortisation of intangible assets, including goodwill	157,662	128,511
Research and development expensed as incurred	125,191	140,886
Exchange differences	(186,103)	(184,243)
	<u> </u>	<u> </u>

Auditor's remuneration:

	£	£
Audit of these financial statements	44,000	40,000
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	-	-
	<u> </u>	<u> </u>

5 Operating exceptional items

	2020	2019
	£	£
Costs relating to an aborted acquisition	53,080	-
Banking facility restructuring	-	160,840
	<u> </u>	<u> </u>
	<u>53,080</u>	<u>160,840</u>

The Company incurred professional fees in undertaking due diligence on a potential acquisition, negotiations in respect of which were ultimately terminated.

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 2020	2019
Production and field services	139	125
Sales	115	99
Administrative	23	20
Customer services	32	31
	<u>309</u>	<u>275</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	11,537,451	9,648,767
Social security costs	840,696	707,221
Pension costs	229,396	201,580
	<u>12,607,543</u>	<u>10,557,568</u>

Wages and salaries shown above are stated without any deduction in respect of amounts received under the Coronavirus Job Retention Scheme, which have been disclosed separately as other operating income.

7 Directors' remuneration

	2020 £	2019 £
Directors' emoluments	1,100,276	1,049,058
Company contributions to money purchase pension plans	21,920	46,424
	<u>1,122,196</u>	<u>1,095,482</u>

Emoluments of the highest paid director were £304,232 (2019: £296,792). Pension contributions of £9,050 (2019: £34,726) were made to a money purchase scheme on his behalf.

8 Interest receivable and similar income

	2020 £	2019 £
Bank deposits	1,112	1,793
	<u>1,112</u>	<u>1,793</u>

9 Interest payable and similar charges

	2020 £	2019 £
Finance leases and hire purchase contracts	3,938	3,846
Bank facility interest	102,438	266,267
Other interest payable	18,421	-
	<u>124,797</u>	<u>270,113</u>

Notes (continued)

10 Taxation

Total tax expense recognised in the profit and loss account

	2020 £	2019 £
<i>Current tax</i>		
Current tax on income for the period	578,866	611,912
Adjustments in respect of prior periods	(4,732)	-
	574,134	611,912
<i>Deferred tax (see note 18)</i>		
Origination and reversal of timing differences	74,862	20,977
Adjustments in respect of previous periods	8,435	-
Effect of rate change on opening balance	5,537	-
	88,834	20,977
Total tax	662,968	632,889

	2020 Current tax £	2020 Deferred tax £	2020 Total tax £	2019 Current tax £	2019 Deferred tax £	2019 Total tax £
Recognised in Profit and loss account	574,134	88,834	662,968	611,912	20,977	632,889
	574,134	88,834	662,968	611,912	20,977	632,889

Reconciliation of effective tax rate

	2020 £	2019 £
Profit for the year	2,895,643	2,596,856
Total tax expense	662,968	632,889
	3,558,611	3,229,745
Profit excluding taxation	3,558,611	3,229,745
Tax using the UK corporation tax rate of 19% (2019: 19%)	676,136	613,652
Income not taxable/expenses not deductible for tax purposes	21,458	15,092
Capital allowances for period less than depreciation	25,720	16,172
Group relief	(69,587)	(5,264)
Un-provided deferred tax asset/ movement	-	(6,763)
Remeasurement of deferred tax for changes in future rates	5,538	-
Adjustment in respect of previous periods – current tax	(4,732)	-
Adjustment in respect of previous periods – deferred tax	8,435	-
	662,968	632,889
Total tax expense included in profit or loss	662,968	632,889

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 2020 has been calculated based on the rates expected to be in existence in the period of reversal.

11 Intangible assets

	Goodwill £	Software £	Total £
Cost			
At beginning of year	1,682,334	2,304,216	3,986,550
Additions	-	313,653	313,653
	<u>1,682,334</u>	<u>2,617,869</u>	<u>4,300,203</u>
At end of year	1,682,334	2,617,869	4,300,203
	<u>1,682,334</u>	<u>2,617,869</u>	<u>4,300,203</u>
Amortisation and impairment			
At beginning of year	1,569,942	1,922,980	3,492,922
Provision for year	23,497	134,165	157,662
	<u>1,593,439</u>	<u>2,057,145</u>	<u>3,650,584</u>
At end of year	1,593,439	2,057,145	3,650,584
	<u>1,593,439</u>	<u>2,057,145</u>	<u>3,650,584</u>
Net book value			
At 31 December 2020	88,895	560,724	649,619
	<u>88,895</u>	<u>560,724</u>	<u>649,619</u>
At 31 December 2019	112,392	381,236	493,628
	<u>112,392</u>	<u>381,236</u>	<u>493,628</u>

Goodwill at the beginning of the year arose on the acquisition of the trade and assets of Compusys Limited (2007), Rock Group plc (2008) and Dino PC Limited (2019).

Notes (continued)

12 Tangible fixed assets

	Motor vehicles £	Plant and equipment £	Total £
Cost			
At beginning of year	235,085	5,368,924	5,604,009
Additions	76,102	300,190	376,292
Disposals	(21,502)	(97,060)	(118,562)
	<u>289,685</u>	<u>5,572,054</u>	<u>5,861,739</u>
Depreciation and impairment			
At beginning of year	89,848	4,165,256	4,255,104
Charge for the year	58,111	290,206	348,317
Disposals	(21,502)	(97,060)	(118,562)
	<u>126,457</u>	<u>4,358,402</u>	<u>4,484,859</u>
Net book value			
At 31 December 2020	<u>163,228</u>	<u>1,213,652</u>	<u>1,376,880</u>
At 31 December 2019	<u>145,237</u>	<u>1,203,668</u>	<u>1,348,905</u>

The net book value of tangible fixed assets includes amounts of £124,446 (2019: £136,932) 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 £32,929 (2019: £40,903) 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

	2020 £	2019 £
Consumables and components	<u>7,502,139</u>	<u>6,131,391</u>

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 £98,235,879 (2019: £75,598,043). Impairment losses relating to damaged or obsolete inventories and included within cost of sales amounted to £264,807 (2019: £249,603).

Notes (continued)

15 Debtors

	2020	2019
	£	£
Trade debtors	11,580,067	7,196,580
Amounts owed by group undertakings	8,947,044	11,579,788
Other debtors	106,374	146,749
Prepayments and accrued income	1,325,886	1,330,789
	21,959,371	20,253,906
	21,959,371	20,253,906

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

16 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	9,910,289	8,597,129
Corporation tax	283,883	261,512
Taxation and social security	307,713	301,595
Obligations under finance lease and hire purchase contracts	50,280	60,113
Other creditors	1,431,217	275,318
Accruals and deferred income	5,568,292	2,997,671
	17,551,674	12,493,338
	17,551,674	12,493,338

17 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Obligations under finance leases	20,351	19,714
Bank facility advance	3,566,808	3,415,475
	3,587,159	3,435,189
	3,587,159	3,435,189

The maturity of sources of debt finance is as follows:

2020

	Bank Facility £	Finance leases £	Total £
In one year or less or on demand	-	50,280	50,280
In more than one year but not more than five years	3,566,808	20,351	3,587,159
	3,566,808	70,631	3,637,439
	3,566,808	70,631	3,637,439

Notes (continued)

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

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
	<u>3,415,475</u>	<u>79,827</u>	<u>3,495,302</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

	Deferred taxation £	Warranty provision £	Total £
At beginning of year	38,632	1,151,571	1,190,203
Debited to statement of comprehensive income	88,834	3,679	92,513
At end of year	<u>127,466</u>	<u>1,155,250</u>	<u>1,282,716</u>

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

	2020 £	2019 £
Accelerated capital allowances	136,491	38,345
Other short term timing differences	(9,025)	287
	<u>127,466</u>	<u>38,632</u>

A summary of the deferred tax reconciliation is as follows:

	Assets		Liabilities		Net	
	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £
Accelerated capital allowances	-	-	136,491	38,345	136,491	38,345
Other short term timing differences	(9,025)	-	-	287	(9,025)	287
Tax (assets)/liabilities	<u>(9,025)</u>	<u>-</u>	<u>136,491</u>	<u>38,632</u>	<u>127,466</u>	<u>38,632</u>

Notes (continued)

19 Capital and reserves

	2020	2019
	£	£
Authorised		
23,685 Ordinary shares of £1 each	23,685	23,685
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1 ordinary shares of £1 each	1	1
	<u> </u>	<u> </u>

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:

	2020	2019
	£	£
Financial assets		
Measured at amortised cost	26,366,583	24,047,926
	<u> </u>	<u> </u>
Financial liabilities		
Measured at amortised cost	15,539,527	12,930,856
	<u> </u>	<u> </u>

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:

	Land and buildings		Other	
	2020	2019	2020	2019
	£	£	£	£
Amounts falling due:				
Less than one year	376,041	301,007	412,707	421,058
Between one and five years	1,622,917	1,805,000	269,356	403,871
Over five years	-	190,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,998,958	2,296,007	682,063	824,929
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

22 Capital commitments

	2020	2019
	£	£
Contracted but not provided for – tangible fixed assets	-	70,332
	<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 £2,555,556 (2019: £3,889,000).

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 £90,000 (2019: £55,688).

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 £35,000 (2018: £3,068) 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 £1,122,196 (2019: £1,095,482).

The Company made payments into a money purchase pension scheme for the benefit of its employees in the year amounting to £229,396 (2019: £201,580).

Family members of certain directors were employed by the Company during the year. Salaries paid to these individuals amounted to £25,213 (2019: £20,209).

25 Ultimate parent company and parent company of larger group

Stone Technologies 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.