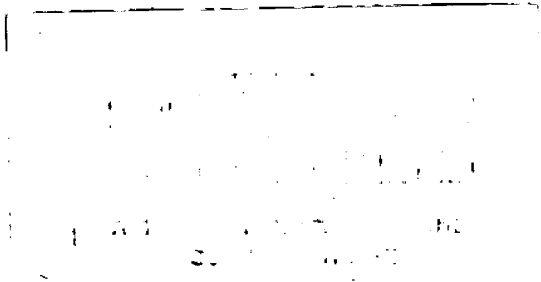
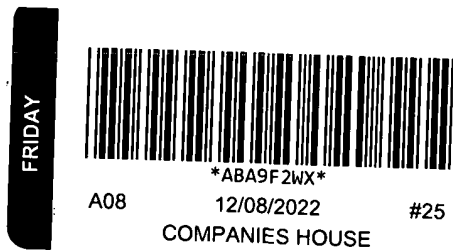

Stone Technologies Limited

**Annual report and financial
statements**

Registered number 02658501
For the year ended 31 December 2021



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Strategic report

Business model

Stone Technologies Limited (the “Company” or “Stone”) is the principal trading company within the Stone 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.

Our innovation and commitment to this model was recognised during the year through several prestigious awards:

- | | |
|---------------------------------------|---|
| • App of the Year | UK App Awards |
| • Best Campaign – Stone 360 | Global Marketing Awards |
| • Best Marketing Campaign – Stone 360 | CRN Sales and Marketing Awards |
| • Best Company to Work For >£100m | CRN Sales and Marketing Awards |
| • Environmental Low Carbon Award | Staffordshire Chamber of Commerce Business Awards |
| • Staffordshire Business of the Year | Staffordshire Chamber of Commerce Business Awards |

Business review and outlook

For the year as a whole, the Company delivered another strong trading performance with turnover increasing by 9.5% to almost £129 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 2022 and beyond. The success of this strategy is evidenced by the fact that whilst device sales increased by 6%, service-led revenues increased by 19%.

Strategic report *(continued)*

Business review and outlook *(continued)*

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 £24.9 million (a gross margin of 19.3%), an increase of 29% on the previous year. Margins returned to pre-pandemic levels as the proportion of revenue from services increased. Operating profit before interest, tax, depreciation, amortisation and exceptional costs (EBITDA) increased by 33% to £5.64 million, (2020: £4.24 million). Profit before taxation increased to £4.77 million (2020: £3.56 million).

The Company manages its working capital requirements through a £13.5m facility with Shawbrook Bank. At the year end, £4.7 million of the facility was utilised (2020: £3.6 million) although a healthy cash balance of £5.8 million at the year end (2020: £5.7 million) enabled the Company to report a net cash balance of £1.1 million. Although down on the position at 31 December 2020, it is worthy of note that the Company invested almost £3m in acquiring strategic stockholdings to mitigate the effect of ongoing supply shortages affecting the entire IT industry. This decision enabled the Company to continue to provide high levels of service to its customers.

The Company has set challenging targets for further development and growth in 2022 and has traded in line with budget in the first quarter.

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.

During the year Stone Technologies Limited was awarded a Silver CSR Accreditation and was certified as "Zero to Landfill" by Valpak.

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. 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 2021 with comparatives for the year ended 31 December 2020. Because of the significant impact on the 2020 figures arising from the COVID-19 pandemic, figures in respect of the year end 31 December 2019 are also presented to provide further context in respect of the 2021 performance. 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)

Streamlined Energy & Carbon Reporting (SECR) disclosure (continued)

Emissions source	Scope	Consumption			Emissions (tCO ₂ e)		
		2021	2020	2019	2021	2020	2019
Natural gas for heating	1	215,668Kwh	251,780Kwh	416,871Kwh	39.50	46.30	76.60
Electricity purchased	2	735,477Kwh	629,649Kwh	714,842Kwh	156.16	146.80	182.70
Company vehicles	1	192,413 litres	149,990 litres	188,572 litres	479.56	373.33	475.80
Grey fleet vehicles	3				675.22	566.43	735.10
					4.90	13.84	note 1
					680.12	580.27	
Intensity total (tCO ₂ e per £1m of revenue)							
Scope 1 & 2					5.27	4.81	7.80
Intensity total (tCO ₂ e per employee - grey fleet only)							
Scope 3					0.26	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 & 2 emissions, which the directors believe to be the best representation of how emissions are impacted by the growth of the business. Both absolute emissions and the intensity measure increased in comparison to 2020, by 19% and 10% respectively. This was to be expected given the significant impact COVID-related lockdowns had on travel in 2020, with company vehicle emissions the largest contributor to the Company's overall carbon footprint. Pleasingly there were reductions of 8% and 32% when compared to the 2019 figures.

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 was on reducing emissions relating to vehicles. Operational changes implemented included 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. Since May 2020 all new company cars added to the fleet are required to have an emissions rating of less than 100g/km. Recent advances in electric vehicle technology mean the Company is also now in a position to start formulating a strategy for introducing lower emission commercial vehicles into the fleet.

The Company changed electricity provider on 1 April 2022 and is now using electricity generated from renewable sources to power the main company facility in Stafford. The Board has also approved in principle the first phase of a project to install a solar power generation and storage capability at the site with a view to reducing the amount of power taken from the national grid.

Stone has also commenced work with a specialist carbon reduction consultancy firm to initially measure its Scope 3 supply chain baseline and then assist in taking strategic decisions to reduce its carbon footprint in this area.

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** – The Corona virus has not been eliminated and significant numbers of infections continue to occur across the country. However the severity of infections appears to have reduced, with the government's vaccination programme appearing to have been successful in this area. The Company remains conscious of its obligations to staff in providing a safe working environment and has no plans for a full scale return to office-based working. This enables those working at the Stafford facility the opportunity to continue to socially distance if vulnerable. Whilst business continuity plans were not formally invoked during the lockdowns of 2020, certain working practices developed from the plans have remained in place where they have been found to aid efficiency. The Company therefore believes it is well placed to continue to operate in the event further instances of infection lead to national lockdowns being re-introduced.

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.

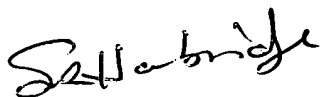
Key Performance Indicators

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

4 May 2022

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2021.

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 (2020: £Nil).

Dividends

As part of a restructuring, the Company paid a dividend of £0.50 million (2020: £4.33 million) 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 period two year period from 1 January 2022 to 31 December 2023. The forecasts make assumptions in respect of future market conditions and the potential for further disruption to supply chains based on well documented shortages of the last two years. 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)*

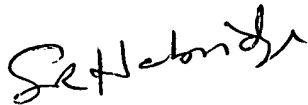
Disclosure of information to auditor

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

4 May 2022

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 2021 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 2021 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 12 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 Group 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 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 Group 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 Group 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. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors 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 8, 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

4th May 2022

Profit and loss account and other comprehensive income
for the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	3	128,979	117,810
Cost of sales		(104,109)	(98,501)
		<hr/>	<hr/>
Gross profit		24,870	19,309
Administrative expenses		(20,079)	(16,399)
Other operating income	6	54	772
Operating profit before depreciation, amortisation and operating exceptional items			
		5,640	4,241
Depreciation and amortisation	4	(558)	(506)
Operating exceptional items	5	(237)	(53)
		<hr/>	<hr/>
Operating profit	4	4,845	3,682
Interest receivable and similar income	8	-	1
Interest payable and similar charges	9	(76)	(125)
		<hr/>	<hr/>
Profit before taxation		4,769	3,558
Taxation	10	(943)	(663)
		<hr/>	<hr/>
Profit for the financial year and total comprehensive income		3,826	2,895
		<hr/> <hr/>	<hr/> <hr/>

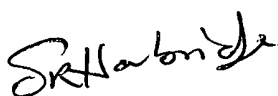
All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

Balance Sheet
at 31 December 2021

	<i>Note</i>	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	<i>11</i>		1,744		650
Tangible assets	<i>12</i>		1,392		1,377
			<hr/>		<hr/>
			3,136		2,027
Current assets					
Stocks	<i>14</i>	10,433		7,502	
Debtors	<i>15</i>	21,515		21,959	
Cash at bank and in hand		5,770		5,772	
		<hr/>		<hr/>	
		37,718		35,193	
Creditors: amounts falling due within one year	<i>16</i>	(16,486)		(17,551)	
		<hr/>		<hr/>	
Net current assets			21,232		17,642
			<hr/>		<hr/>
Total assets less current liabilities			24,368		19,669
Creditors: amounts falling due after more than one year	<i>17</i>		(4,729)		(3,587)
Provisions for liabilities and charges	<i>18</i>		(1,514)		(1,283)
			<hr/>		<hr/>
Net assets			18,125		14,799
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	<i>19</i>		-		-
Profit and loss account			18,125		14,799
			<hr/>		<hr/>
Shareholders' funds			18,125		14,799
			<hr/>		<hr/>

These financial statements were approved by the board of directors on *4 May 2022* 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 £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	-	16,234	16,234
Total comprehensive profit for the period			
Retained Profit	-	2,895	2,895
Total comprehensive profit for the period	-	2,895	2,895
Transactions with shareholders			
Payment of dividend	-	(4,330)	(4,330)
Total transactions with shareholders	-	(4,330)	(4,330)
Balance at 31 December 2020	-	14,799	14,799
Balance at 1 January 2021	-	14,799	14,799
Total comprehensive profit for the period			
Retained Profit	-	3,826	3,826
Total comprehensive profit for the period	-	3,826	3,826
Transactions with shareholders			
Payment of dividend	-	(500)	(500)
Total transactions with shareholders	-	(500)	(500)
Balance at 31 December 2021	-	18,125	18,125

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. All amounts in the financial statements have been rounded to the nearest £1,000.

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. This facility, together with a £6m 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 31 March 2022, the Company held cash balances of £1.4m and had drawn £0.6m of the £13.5m available under the Receivables Facility. The balance outstanding on the Cashflow Facility was £5.65m.

The company’s facility with Shawbrook Bank was entered into in November 2019 and contained a minimum term provision of three years, which ends in November 2022. From this point the facility can be cancelled by either party on serving six months’ notice. Absent a breach of the facility agreement, the directors therefore have certainty that funding will continue to be in place until at least May 2023. At the Company’s request, the facility was varied in September 2021 with a new £6m Cashflow Facility replacing the £4m Cashflow Facility advanced in November 2019. The new Cashflow Facility is repayable over a five-year period ending in September 2026.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

The directors have prepared trading and cash flow forecasts for the period to 31 December 2023. The 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. No specific assumptions have been included in respect of future outbreaks of COVID as the Company has demonstrated its ability to continue to trade despite the effects of the previous outbreaks in 2020 and 2021. In particular, the forecasts make assumptions regarding the delivery of the Company's current order book taking place in the remainder of 2022, together with the successful conversion of advanced sales prospects at conversion rates consistent with those experienced during 2020 and 2021.

The directors have also prepared a downside scenario, outlining the impact of a severe but plausible adverse scenario arising from ongoing supply chain disruption, shows there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements.

Having reported results in line with budget in the first quarter of 2022, the forecast assumes results remain in line with budget for the remainder of 2022. Conservative assumptions have been adopted for 2023, including a reduced level of growth in revenue and gross profit than has been achieved in each of the last three financial years and increasing rates of growth in costs, recognising the current levels of inflation in the economy. The 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.

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. Where employees are involved in the development of software and other intangible assets the proportion of their salary reflective of their time spent on the development activity is included in the total amount capitalised. No overhead absorption is included.

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:

	2021 £'000	2020 £'000
Sale of goods and integrated services	92,044	86,895
Provision of services	36,935	30,915
Total turnover	<u>128,979</u>	<u>117,810</u>

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £'000	2020 £'000
Items held under operating leases:		
Plant and machinery	404	383
Other	451	429
Depreciation of tangible fixed assets	390	348
Amortisation of intangible assets, including goodwill	168	158
Research and development expensed as incurred	133	125
Exchange differences	(139)	(186)
	404	347

Auditor's remuneration:

	£'000	£'000
Audit of these financial statements	48	44
Amounts receivable by the Company's auditor and its associates in respect of:		
Taxation compliance services	8	8
Other tax advisory services	2	2
Non audit services	-	-
	8	8

5 Operating exceptional items

	2021 £'000	2020 £'000
Discontinued activity	237	-
Costs relating to an aborted acquisition	-	53
	237	53

The Company incurred costs in evaluating and then commencing its IT Asset Disposal activities in mainland Europe. A decision was taken to terminate the activities in November 2021 as increases in logistics costs had resulted in the service not being economically viable.

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	
	2021	2020
Production and field services	164	139
Sales	150	115
Administrative	29	23
Customer services	35	32
	378	309
	378	309

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	13,227	11,537
Social security costs	1,092	841
Pension costs	305	229
	14,624	12,607
	14,624	12,607

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

7 Directors' remuneration

	2021 £'000	2020 £'000
Directors' emoluments	1,100	1,100
Company contributions to money purchase pension plans	17	22
	1,117	1,122
	1,117	1,122

Emoluments of the highest paid director were £313,000 (2020: £304,000). Pension contributions of £3,000 (2020: £9,000) were made to a money purchase scheme on his behalf.

8 Interest receivable and similar income

	2021 £'000	2020 £'000
Bank deposits	-	1
	-	1
	-	1

9 Interest payable and similar charges

	2021 £'000	2020 £'000
Finance leases and hire purchase contracts	-	4
Bank facility interest	66	103
Other interest payable	10	18
	76	125
	76	125

Notes (continued)

10 Taxation

Total tax expense recognised in the profit and loss account

	2021 £'000	2020 £'000
<i>Current tax</i>		
Current tax on income for the period	712	579
Adjustments in respect of prior periods	-	(5)
	<u>712</u>	<u>574</u>
<i>Deferred tax (see note 18)</i>		
Origination and reversal of timing differences	191	75
Adjustments in respect of previous periods	-	8
Effect of rate change on opening balance	40	6
	<u>231</u>	<u>89</u>
Total tax	<u><u>943</u></u>	<u><u>663</u></u>

	2021 Current tax £'000	2021 Deferred tax £'000	2021 Total tax £'000	2020 Current tax £'000	2020 Deferred tax £'000	2020 Total tax £'000
Recognised in Profit and loss account	712	231	943	574	89	663
	<u><u>712</u></u>	<u><u>231</u></u>	<u><u>943</u></u>	<u><u>574</u></u>	<u><u>89</u></u>	<u><u>663</u></u>

Reconciliation of effective tax rate

	2021 £'000	2020 £'000
Profit for the year	3,826	2,895
Total tax expense	943	663
	<u>4,769</u>	<u>3,558</u>
Profit excluding taxation	4,769	3,558
Tax using the UK corporation tax rate of 19% (2020: 19%)	906	676
Income not taxable/expenses not deductible for tax purposes	4	21
Capital allowances for period less than depreciation	19	27
Group relief	(72)	(70)
Remeasurement of deferred tax for changes in future rates	86	6
Adjustment in respect of previous periods – current tax	-	(5)
Adjustment in respect of previous periods – deferred tax	-	8
	<u>943</u>	<u>663</u>
Total tax expense included in profit or loss	<u><u>943</u></u>	<u><u>663</u></u>

Notes (continued)

10 Taxation (continued)

Factors that may affect future current and total tax charges

The UK standard rate of corporation tax is 19% (2020: 19%). The UK Finance Act 2021 enacted an increase in the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. The impact of this rate change is reflected in the calculation of the taxation charge, the tax reconciliation and the movement in deferred taxation.

11 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At beginning of year	1,682	2,618	4,300
Additions	-	1,282	1,282
Adjustment	(20)	-	(20)
	<hr/>	<hr/>	<hr/>
At end of year	1,662	3,900	5,562
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amortisation and impairment			
At beginning of year	1,593	2,057	3,650
Provision for year	18	150	168
	<hr/>	<hr/>	<hr/>
At end of year	1,611	2,207	3,818
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 December 2021	51	1,693	1,744
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020	89	561	650
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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). The adjustment recognised in the year represents deferred contingent consideration relating to the Dino PC acquisition, accrued but not subsequently paid.

Notes (continued)

12 Tangible fixed assets

	Motor vehicles £	Plant and equipment £	Total £
Cost			
At beginning of year	290	5,572	5,862
Additions	-	405	405
	<hr/>	<hr/>	<hr/>
At end of year	290	5,977	6,267
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation and impairment			
At beginning of year	127	4,358	4,485
Charge for the year	71	319	390
	<hr/>	<hr/>	<hr/>
At end of year	198	4,677	4,875
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 December 2021	92	1,300	1,392
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020	163	1,214	1,377
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of tangible fixed assets includes amounts of £64,000 (2020: £124,000) 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 £17,000 (2020: £33,000) charged on assets held under finance leases.

13 Investments

On 14 August 2015, the Company 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 the Company.

14 Stocks

	2021 £'000	2020 £'000
Consumables and components	10,433	7,502
	<hr/> <hr/>	<hr/> <hr/>

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

The cost of inventories expensed in the period and included within cost of sales was £103,971,000 (2020: £98,236,000). Impairment losses relating to damaged or obsolete inventories and included within cost of sales amounted to £138,000 (2020: £265,000).

Notes *(continued)*

15 Debtors

	2021 £'000	2020 £'000
Trade debtors	9,714	11,580
Amounts owed by group undertakings	9,872	8,947
Other debtors	120	106
Prepayments and accrued income	1,809	1,326
	21,515	21,959
	21,515	21,959

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

16 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	8,949	9,910
Corporation tax	388	284
Taxation and social security	415	308
Obligations under finance lease and hire purchase contracts	20	50
Other creditors	747	1,431
Accruals and deferred income	5,967	5,568
	16,486	17,551
	16,486	17,551

17 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Obligations under finance leases	-	20
Bank facility advance	4,729	3,567
	4,729	3,587
	4,729	3,587

The maturity of sources of debt finance is as follows:

2021

	Bank Facility £'000	Finance leases £'000	Total £'000
In one year or less or on demand	-	20	20
In more than one year but not more than five years	4,729	-	4,729
	4,729	20	4,749
	4,729	20	4,749

Notes (continued)

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

2020

	Bank Facility £'000	Finance leases £'000	Total £'000
In one year or less or on demand	-	50	50
In more than one year but not more than five years	3,567	20	3,587
	<u>3,567</u>	<u>70</u>	<u>3,637</u>

The bank facility of up to £13.5 million forms part of a £19.5 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 and is then cancellable by either party serving not less than six months notice. 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 £'000	Warranty provision £'000	Total £'000
At beginning of year	128	1,155	1,283
Debited to statement of comprehensive income	231	-	231
At end of year	<u>359</u>	<u>1,155</u>	<u>1,514</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

	2021 £'000	2020 £'000
Accelerated capital allowances	374	137
Other short term timing differences	(15)	(9)
	<u>359</u>	<u>128</u>

A summary of the deferred tax reconciliation is as follows:

	Assets		Liabilities		Net	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Accelerated capital allowances	-	-	374	137	374	137
Other short term timing differences	(15)	(9)	-	-	(15)	(9)
Tax (assets)/liabilities	<u>(15)</u>	<u>(9)</u>	<u>374</u>	<u>137</u>	<u>359</u>	<u>128</u>

Notes (continued)

19 Capital and reserves

	2021 £'000	2020 £'000
Authorised		
23,685 Ordinary shares of £1 each	24	24
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1 ordinary share of £1 each	-	-
	<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:

	2021 £'000	2020 £'000
Financial assets		
Measured at amortised cost	25,476	26,366
	<u> </u>	<u> </u>
Financial liabilities		
Measured at amortised cost	15,248	15,570
	<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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts falling due:				
Less than one year	475	376	319	413
Between one and five years	1,900	1,623	228	269
Over five years	1,425	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,800	1,999	547	682
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes *(continued)*

22 Capital commitments

	2021	2020
	£'000	£'000
Contracted but not provided for – tangible fixed assets	-	-
	-	-

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 £5,650,000 (2020: £2,556,000).

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 £92,070 (2020: £90,000).

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 (2020: £35,000) 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 £1,118,000 (2020: £1,122,000).

The Company made payments into a money purchase pension scheme for the benefit of its employees in the year amounting to £274,000 (2019: £229,000).

Family members of certain directors were employed by the Company during the year. Salaries paid to these individuals amounted to £4,000 (2019: £25,000).

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.