

Company Number: 11254760

# VJ TECHNOLOGY LIMITED

## Financial Statements

For the year ended

31 December 2020



VJ TECHNOLOGY LIMITED

COMPANY INFORMATION

**Directors**  
Anthony Stephen Aldgate  
Ross James Bartlett  
Lee Alan Martin  
Andrew Graham Mobbs (Appointed 4 February 2020)  
Mark Gerald Tomlin  
Mark Graham Pettit (Appointed 28 May 2021)

**Registered Number** 11254760

**Registered Office**  
Technology House  
Brunswick Road  
Ashford  
Kent  
TN23 1EN

**Independent auditor**  
Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
2nd Floor  
St John's House  
Haslett Avenue West  
Crawley  
RH10 1HS

**Bankers**  
Barclays Bank plc  
Leicester  
LE87 2BB

VJ TECHNOLOGY LIMITED

CONTENTS

	Page
Strategic report	3
Directors' report	6
Independent auditor's report	8
Statement of comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Notes to the financial statements	15

## VJ TECHNOLOGY LIMITED

## STRATEGIC REPORT

For the year ended 31 December 2020

**Business review**

The principal business of the company continues to be the provision of technical fixings and solutions to the construction industry. During the start of 2020, the successful implementation of the Warehouse Management System and new sales systems were concluded. The systems allow for an automated paperless process from quote to delivery. Throughout 2020 work was being completed to launch the new web platform. This was successfully launched during early May 2021, allowing select customers to view, order and pay for goods through the website. During the year own van coverage was extended to encompass the Midlands in order to drive further organic growth in that area and to support deliveries into HS2.

The company continued to operate throughout the pandemic, albeit at a lower level. Many staff worked from home during the lockdowns, whilst the warehouse and transport departments continued to work in a covid safe environment to ensure essential customer orders were processed. The new systems that had been implemented enabled the transition to working from home during the pandemic to be implemented with minimal disruption and little additional costs being incurred. Use was made of the government's furlough scheme in order to retain staff during this difficult period.

The company has continued its investment in people and systems to give the company a sound footing on which to develop and expand. These systems give a solid platform for growth, improve efficiency and remove any keyman dependencies.

The directors review the key performance indicators for the business which they have considered to be as below:

	<u>2020</u>	<u>2019</u>
Turnover	£26,102k	£35,476k
Gross profit	£10,948k	£16,051k
Gross profit percentage	41.9%	45.2%
EBITDA (see note)	£1,801k	£4,476k
Retained (loss)/profit	(£770k)	£530k

EBITDA is used within the business as a measure of the controllable day to day profitability, being the earnings before, interest, taxation, depreciation, amortisation and other exceptional and non-recurring costs. This equates to the operating loss of £411k (2019: £1,323k profit) plus the depreciation and amortisation charges £1,179k (2019: £1,068k) and non-recurring exceptional costs of £1,033k (2019: £2,085k).

**Principal risks and uncertainties****Brexit**

Brexit was a time of uncertainty during the start of the year but has stabilised in recent months. Management are continually monitoring the situation and have taken measures to mitigate some risks. We increased our stock holding to overcome the initial supply chain delays and this has now settled down with limited impact save for slightly extended lead times.

**Covid 19**

The Covid crisis continues but the business has performed better than Directors' expectations during 2020 and sales in 2021 have continued to grow. The construction industry operated throughout 2020 and after the shock of the initial lockdown the sector learnt how to operate in a Covid safe way. The main knock on impact of Covid is on raw materials and the supply chain. With the whole of the world looking to construction to build them out of recession, this combined with the impact of factory shut

## VJ TECHNOLOGY LIMITED

### STRATEGIC REPORT

For the period ended 31 December 2020

downs at points during 2020 has led to inflationary pressures and the potential for some raw material shortages during 2021. The inflationary pressures are market wide and the business is well placed to pass these on down the supply chain. The business undertook a stock build for Brexit and the decision was taken by the directors in January to maintain the Brexit stock build until the current supply chain pressures reduce. The Directors have ensured that the liquidity of the business has been strengthened through the addition of an additional £3M of cash with a new finance facility and the bankers PNC provided a six month covenant waiver and loan amortisation reduction to give the company the tools to work through the crisis. This new finance facility has enabled the business to meet its liquidity requirements throughout the pandemic and several lockdowns. The Covid crisis has given us the opportunity to stress test our supply chain and this went extremely well with no service issues during the initial months of the pandemic.

#### Construction market

There is a risk that the construction market has a significant downturn. Management monitor continually the state of the market and review industry data of new construction projects as well as continual dialog with our customers. This provides advance information to allow for major structural changes if required.

#### Systems risk

There has been a significant investment in the systems of the business throughout the several years since the buyout. These new systems which include, sales, purchasing, warehouse management and transport management, have already shown a benefit to the company.

#### Employee risk

The company is proud of its hard-working staff, many of whom have been with the business for more than 20 years. The company is fully aware of the need to reward, train and develop these key individuals as well as supplement them with new high-quality employees. Long-term incentive plans have been developed to retain key staff.

#### Financial instrument risk

The company uses various financial instruments, including loans, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The company finances its operations through bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

#### Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any cash assets safely and profitably. Short term flexibility is achieved by flexible banking facilities, that allows funds to be drawn and repaid without penalty. Debt is structured so repayments can be made out of cash generated through operations.

VJ TECHNOLOGY LIMITED

STRATEGIC REPORT

For the period ended 31 December 2020

**Credit risk**

The principal credit risk arises from its trade debtors. In order to manage credit risk, the directors review payment history, third party credit references, debt ageing and collection history on a regular basis. Where appropriate trade debtors are insured. There is no over dependency on any one customer, most of whom have been loyal to us over many years.

**Post balance sheet events**

Sales have continued to grow during 2021 with sales rising above pre-covid levels. The PNC banking facility has been renegotiated and extended for a further three years. Whilst there is world wide disruption to raw material availability and the supply chain, management continue to monitor and manage the situation to ensure we remain in a strong position.

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

*Andrew Mobbs*

Andrew Mobbs - Director

Date: 24/6/2021

## VJ TECHNOLOGY LIMITED

### DIRECTORS' REPORT

For the year ended 31 December 2020

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

#### **Results and dividends**

The loss for the year, after taxation, amounted to £770k (2019: profit £530k).

#### **Directors**

The directors who served during the year were:

Mark Gerald Tomlin  
Anthony Stephen Aldgate  
Ross James Bartlett  
Lee Alan Martin  
Andrew Graham Mobbs (appointed 4 February 2020)

The following director was appointed after the yearend

Mark Graham Pettit 28 May 2021

#### **Directors' responsibilities statement**

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **Matters covered in the strategic report**

Information in respect of future developments, financial risk management exposure to risks and post balance sheet events are not shown in the Directors' report because they are presented in the Strategic Report in accordance with s414c(ii) of the Companies Act 2006.

## VJ TECHNOLOGY LIMITED

### DIRECTORS' REPORT

For the year ended 31 December 2020

#### **Going Concern**

The company achieved a loss for the year due the Covid pandemic, although it has significant net assets. The company is part of the wider VJ Technology Holdings Limited group, and the directors have therefore considered the wider group as well as the company.

The group has generated an operating profit during the period of trading although much reduced on the previous year as a result of the pandemic. Therefore, there is a deficit on its profit and loss account carried forward. However, it has significant total assets after deducting current liabilities. Further to this the asset backed lending facility is classified as a current liability despite the facility being in place until June 2024.

During the lockdown caused by the pandemic, demand initially fell sharply in April 2020, but steadily rose from May – September to pre-lockdown levels and the group is operating profitably. As highlighted in the strategic report the group obtained further funding of £3m and obtained a waiver of lender covenants for the six month period from April to September 2020. In May 2021 the group has extended the term of its facilities with PNC until June 2024.

The directors have reviewed numerous financial scenarios through to July 2022, including that of further waves taking sales down to levels seen in the autumn 2020 lockdown. All the scenarios including this show the group and company has the required levels of liquidity and can meet its covenants and by managing costs can also meet it's obligations under a first wave scenario. All forecasts are inherently uncertain due to the current circumstances. However, the directors are confident given the headroom with liquidity and covenant compliance that the group and company have adequate resources for all reasonably expected eventualities. After making enquiries and considering the above, the directors are confident that the company and the group will continue to have adequate resources to continue in operational existence for the foreseeable future. For these reasons, the company continues to adopt the going concern basis in preparing its financial statements.

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

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

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

#### **Auditor**

In accordance with s484(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

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

*Andrew Mobbs*

Andrew Mobbs - Director

Date: 24/6/2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VJ TECHNOLOGY LIMITED

### Opinion

We have audited the financial statements of VJ Technology Limited (the 'company') for the year ended 31 December 2020 which comprise Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VJ TECHNOLOGY LIMITED

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

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

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VJ TECHNOLOGY LIMITED

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006 and the relevant tax compliance regulations in the UK.)
- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries of management and those charged with governance. We enquired of management and those charged with governance, whether there were any instances of non-compliance with laws and regulations and were not informed of any such matters. We did not identify any new matters relating to the non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand areas where management considered there was a susceptibility to fraud. We enquired of management and those charged with governance whether they have any knowledge of actual, suspected or alleged fraud. We also considered performance targets and their

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VJ TECHNOLOGY LIMITED

influence on efforts made by management to meet external pressures in reporting the financial results to the Group or for personal interest of the Directors.

- Audit procedures performed by the engagement team on the areas where fraud might occur included:
  - evaluation of the effectiveness of management's controls designed to prevent and detect irregularities;
  - journal entries testing, with a focus on manual entries and entries determined to be large or relating to unusual transactions;
  - identifying and testing related party transactions;
  - revenue data analytics to detect unusual and fictitious sales transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the company operates
  - understanding of the legal and regulatory requirements specific to the company

### Use of our report

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.

*Grant Thornton UK LLP*  
Adam Terry BSc ACA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Crawley  
Date: 24/6/2021

## VJ TECHNOLOGY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Turnover</b>	6	26,102	35,476
Cost of sales		<u>(15,154)</u>	<u>(19,425)</u>
<b>Gross profit</b>		10,948	16,051
Other Operating Income	7	577	3
Administrative expenses		<u>(11,936)</u>	<u>(14,731)</u>
<b>Operating (loss)/profit</b>		(411)	1,323
Interest receivable and similar income	8	1	4
Interest payable and similar charges	9	<u>(420)</u>	<u>(456)</u>
<b>(Loss)/Profit on ordinary activities before taxation</b>	10	(830)	871
Tax credit/(charge) on loss on ordinary activities	12	60	(341)
<b>(Loss)/Profit for the financial period</b>		<u>(770)</u>	<u>530</u>
<b>Total comprehensive income</b>		<u>(770)</u>	<u>530</u>

There was no other comprehensive income for the period

The notes on pages 15 to 27 form part of these financial statements

## VJ TECHNOLOGY LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	13	4,887	5,642
Tangible assets	14	494	734
		<u>5,381</u>	<u>6,376</u>
<b>Current assets</b>			
Stocks	15	5,977	6,185
Debtors	16	8,016	12,274
Cash at bank and in hand		405	169
		<u>14,398</u>	<u>18,628</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(15,088)</u>	<u>(19,527)</u>
<b>Net current liabilities</b>		<u>(690)</u>	<u>(899)</u>
<b>Total assets less current liabilities</b>		4,691	5,477
<b>Creditors: amounts falling due after more than one year</b>	18	(27)	(43)
<b>Net assets</b>		<u>4,664</u>	<u>5,434</u>
<b>Capital and reserves</b>			
Called up share capital	20	500	500
Share premium	20	4,500	4,500
Profit and loss account	21	(336)	434
		<u>4,664</u>	<u>5,434</u>

The notes on pages 15 to 27 form part of these financial statements

The financial statements were approved by the Board of Directors

Signed on behalf of the board of directors:

*Andrew Mobbs*

**Andrew Mobbs — Director**

Date: 24/6/2021

Company registration no: 11254760



## VJ TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

#### **1 Company information**

VJ Technology Limited is a private limited company having a share capital and was incorporated in England and Wales.

The principal business of the company continues to be the provision of technical fixings and solutions to the construction industry.

#### **2 Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The individual accounts of VJ Technology Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows 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 risks.

These financial statements are included within the consolidated accounts of VJ Technology Holdings Limited. Those accounts can be obtained from Technology House, Brunswick Road, Ashford, Kent TN23 1EN or Companies House.

The financial statements are presented in Sterling (£).

#### **3 Going concern**

The company achieved a loss for the year due the Covid pandemic, although it has significant net assets. The company is part of the wider VJ Technology Holdings Limited group, and the directors have therefore considered the wider group as well as the company.

The group has generated an operating profit during the period of trading although much reduced on the previous year as a result of the pandemic. Therefore, there is a deficit on its profit and loss account carried forward. However, it has significant total assets after deducting current liabilities. Further to this the asset backed lending facility is classified as a current liability despite the facility being in place until June 2024.

During the lockdown caused by the pandemic, demand initially fell sharply in April 2020, but steadily rose from May – September to pre-lockdown levels and the group is operating profitably. As highlighted in the strategic report the group obtained further funding of £3m and obtained a waiver of lender covenants for the six month period from April to September 2020. In May 2021 the group has extended the term of its facilities with PNC until June 2024.

The directors have reviewed numerous financial scenarios through to July 2022, including that of further waves taking sales down to levels seen in the autumn 2020 lockdown. All the scenarios

## VJ TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

including this show the group and company has the required levels of liquidity and can meet its covenants and by managing costs can also meet its obligations under a first wave scenario. All forecasts are inherently uncertain due to the current circumstances. However, the directors are confident given the headroom with liquidity and covenant compliance that the group and company have adequate resources for all reasonably expected eventualities. After making enquiries and considering the above, the directors are confident that the company and the group will continue to have adequate resources to continue in operational existence for the foreseeable future. For these reasons, the company continues to adopt the going concern basis in preparing its financial statements.

#### **4 Significant judgements and estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Supplier rebates receivable of £14k (2019: £172k) are included in other debtors. These have been included using an estimate of future purchases so as to calculate the level of estimated amounts receivable.

Customer rebates payable of £344k (2019: £592k) are included in accruals using an estimate of future sales so as to calculate the estimated liability.

Provision against trade debtors has been included based on a review of uninsured debts outstanding after post period end receipts have been processed along with historic experience of bad debt levels.

In determining the useful economic life of goodwill to be ten years, management has taken account of quality of service delivery and loyal and long-standing customer base as well as the unique nature of our products, most of which do not have a shelf life. In addition, whilst considering the impairment of goodwill, management have reviewed a number of indicators to confirm that no further impairment is required. This includes the preparation of a discounted cashflow covering over ten years. Conservative long-term growth rates have been assumed; 4.5% for sales and 2.5% for costs. A discount rate of 8% has been used based on the weighted average cost of capital.

Provision against stock has been made to ensure that stock is valued at the lower of cost and realisable value taking into account the level of stock on hand, estimates of future demand for individual stock lines and factors affecting the saleability of individual products.

#### **5 Principal accounting policies**

##### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the company in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill

## VJ TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

#### Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Computer software costs are recognised as an intangible asset when the value to the business extends beyond end of the current financial period.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method.

The intangible assets are amortised over the following useful economic lives:

- Goodwill	10 years
- Software costs	3 years
- Patent & Trademarks	10 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefitted.

#### Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Leasehold additions	40 years
- Plant and machinery	5 years
- Computer hardware	3 years
- Office Equipment	5 years
- Furniture and equipment	5 years
- Motor vehicles	4 years

#### Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### Stocks

Stock are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

## VJ TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

#### Debtors

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

#### Creditors

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

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term

#### Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the company is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts, customer rebates and value added taxes. Turnover is earned from the sale of goods. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods.

Government Grants

Government grants are recognised as income in the period to which the underlying furloughed staff costs relate under the accrual model.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

**6 Turnover**

Turnover, analysed geographically between markets, was as follows:

	2020 £'000	2019 £'000
UK	25,855	35,450
Europe	247	26
	<u>26,102</u>	<u>35,476</u>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

**7 Other Operating Income**

	2020 £'000	2019 £'000
Government grant	571	-
Rent receivable	6	3
	<u>577</u>	<u>3</u>

**8 Interest receivable**

	2020 £'000	2019 £'000
Bank interest	1	4
	<u>1</u>	<u>4</u>

**9 Interest Payable**

	2020 £'000	2019 £'000
Bank interest payable	400	432
Finance lease charges	4	4
Other	16	20
	<u>420</u>	<u>456</u>

**10 Loss on ordinary activities before taxation**

The loss on ordinary activities before taxation is stated after:

	2020 £'000	2019 £'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the group's annual accounts	27	55
Fees payable to the company's auditor and its associates for other services: Tax compliance services	18	34
Foreign exchange losses/(gains)	9	(35)
Depreciation	293	335
Amortisation	886	733
Rent payable	311	261
Other operating lease rentals	<u>264</u>	<u>296</u>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

**11 Directors and employees**

Staff costs during the year were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,540	6,180
Social security costs	451	730
Other pension costs	404	401
Redundancy and termination costs	53	328
	<u>5,448</u>	<u>7,639</u>

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension provider. Pension payments recognised as an expense during the year amount to £404k (2019: £401k)

The average number of employees of the company during the year was:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Office	40	37
Internal Sales	27	27
External Sales	18	20
Transport	20	16
Warehouse	36	37
	<u>141</u>	<u>137</u>

Remuneration in respect of directors was as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	784	1,178
Compensation for loss of office	-	320
Pension contributions to money purchase pension schemes	84	92
	<u>868</u>	<u>1,590</u>

During the year five (2019: six) directors participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	203	293
Pension contributions to money purchase pension schemes	28	9
	<u>231</u>	<u>302</u>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

**12 Tax on profit/(loss) on ordinary activities**

The tax (credit)/charge is based on the loss for the year and represents:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
UK Corporation Tax – current year	28	337
UK Corporation Tax – over provision in prior year	(186)	(117)
Total current tax	<u>(158)</u>	<u>220</u>
Deferred taxation: origination and reversal of timing differences	120	121
Adjustments in respect of prior periods	(24)	-
Deferred taxation: changes in tax rates	2	-
Tax on results on ordinary activities	<u><u>(60)</u></u>	<u><u>341</u></u>

The tax charged for the period is higher than the standard rate of corporation tax in the United Kingdom at 19%. The differences are explained as follows:

Profit/(Loss) on ordinary activities before tax	<u><u>(830)</u></u>	<u><u>871</u></u>
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19%	(158)	165
Fixed asset differences	277	-
Expenses not deductible for tax purposes	30	176
Group relief claimed	(2)	-
Adjustments to tax charge in respect of previous periods	(185)	-
Adjustments in respect of previous periods – deferred tax	(24)	-
Remeasurement of deferred tax for changes in tax rates	2	-
Tax (credit)/charge on results on ordinary activities	<u><u>(60)</u></u>	<u><u>341</u></u>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

**13 Intangible fixed assets**

	Goodwill	Software development costs	Patents & Trademarks	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	5,895	778	4	6,677
Additions	-	120	11	131
<b>At 31 December 2020</b>	<b>5,895</b>	<b>898</b>	<b>15</b>	<b>6,808</b>
Depreciation and impairment				
At 1 January 2020	885	150	-	1,035
Charge for the year	590	295	1	886
<b>At 31 December 2020</b>	<b>1,475</b>	<b>445</b>	<b>1</b>	<b>1,921</b>
<b>Net book amount at 31 December 2020</b>	<b>4,420</b>	<b>453</b>	<b>14</b>	<b>4,887</b>

Amortisation of intangible fixed assets is included in administrative expenses

**14 Tangible fixed assets**

	Leasehold Premises	Plant & Machinery	Furniture & Fixtures	Office Equipment	IT Hardware	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2020	127	252	552	84	128	23	1,166
Additions	8	4	6	-	35	-	53
Disposals	(1)	(17)	(1)	-	(12)	(3)	(34)
<b>At 31 December 2020</b>	<b>134</b>	<b>239</b>	<b>557</b>	<b>84</b>	<b>151</b>	<b>20</b>	<b>1,185</b>
Depreciation							
At 1 January 2020	26	143	180	22	47	14	432
Provided in the year	18	48	161	17	46	3	293
On disposals	(1)	(17)	(1)	-	(12)	(3)	(34)
<b>At 31 December 2020</b>	<b>43</b>	<b>174</b>	<b>340</b>	<b>39</b>	<b>81</b>	<b>14</b>	<b>691</b>
<b>Net book amount At 31 December 2020</b>	<b>91</b>	<b>65</b>	<b>217</b>	<b>45</b>	<b>70</b>	<b>6</b>	<b>494</b>
<b>At 31 December 2019</b>	<b>101</b>	<b>109</b>	<b>372</b>	<b>62</b>	<b>81</b>	<b>9</b>	<b>734</b>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Plant and machinery with a carrying value of £25k (2019: £38k) and office equipment with a carrying value of £18k (2019: £24k) are held under finance leases.

**15 Stocks**

	2020 £'000	2019 £'000
Stock of goods for resale	<u>5,977</u>	<u>6,185</u>

Stock recognised in cost of sales during the period as an expense was £15,110k (2019: £19,373k)

An impairment loss of £44k (2019: £51k) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock

The total carrying amount of stock is pledged as security for the Company's debt

**16 Debtors**

	2020 £'000	2019 £'000
Trade debtors	4,793	6,264
Amounts owed by group undertakings	2,651	5,269
Other debtors	222	428
Prepayments and accrued income	350	313
	<u>8,016</u>	<u>12,274</u>

An impairment loss of £216k (2019: £198k) was recognised against trade debtors.

Amounts owed by the parent undertaking are payable on demand, unsecured and are interest free.

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

	2020 £'000	2019 £'000
Bank Loan	8,262	12,326
Finance lease obligations	16	20
Trade creditors	2,811	3,090
Amounts owed to group undertakings	1,996	1,527
Taxation and social security	582	710
Corporation tax	27	220
Deferred tax (note 19)	140	42
Other creditors	584	575
Accruals	670	1,017
	<u>15,088</u>	<u>19,527</u>

Amounts owed to parent undertaking are payable on demand, unsecured and interest free.

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

The bank loan arises from a £19m assets-based lending facility from a financial services institution dated July 2018. Although the facility is for forty-eight months, the full amount is included within current liabilities as the facility may not be required for the full term. Interest is calculated at various rates between 2.15% and 4% above base rate. This is secured on the stock trade debtor and cash balances.

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

	2020 £'000	2019 £'000
Finance lease obligations	27	43
Other creditors	-	-
	<u>27</u>	<u>43</u>

**19 Deferred taxation asset / (liability)**

Deferred taxation provided for at 19% in the financial statements is set out below:

Balance brought forward	(42)	79
Fixed asset timing differences	(115)	(121)
Short term timing differences	17	-
	<u>(140)</u>	<u>(42)</u>

**20 Called up share capital**

	Share Capital	Share Premium
	2019 and 2020	2019 and 2020
	£'000	£'000
Authorised, allotted and fully paid: 500,000 ordinary shares of £1 each	<u>500</u>	<u>4,500</u>
	<u>500</u>	<u>4,500</u>

Consideration received for the allotment of ordinary shares during the year was nil (2019: £nil). On incorporation one share was issued at par. On 21 December 2018, 499,999 shares were issued at £10 per share thereby creating share premium of £4,500k. Each share has full rights in the company with respect to voting and distributions.

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

**21 Reserves**

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account – includes all retained profits and losses since incorporation.

**22 Capital commitments**

There were no capital commitments at the year end (2019: nil).

**23 Leasing commitments**

The company's future minimum operating lease payments are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	283	298
Between one and five years	565	848
	<u>848</u>	<u>1,146</u>

The company's future minimum finance lease payments are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Due within one year	17	23
Due between one and five years	30	48
	<u>47</u>	<u>71</u>

Certain plant and machinery and office machinery are held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases (see note 14). The lease agreements generally include fixed lease payments and in some cases a purchase option at the end of the lease term.

**24 Transactions with related parties**

The group has taken advantage of the exemptions provided in section 33.1A of Financial Reporting Standard 102 from the requirement to disclose transactions with wholly owned group members.

The company has purchased goods to the value of £5,873 (2019: £5,268) from Arco Limited, a company in which our Chairman, Kevin Appleton is a director. An amount of £nil (2019: £766) was outstanding at the date of the balance sheet.

The company has purchased goods and services to the value of £4,405 (2019: £17,441) from Complete UK Security (SW) Limited, a company controlled by the son of our CEO Mark Tomlin. No amount was outstanding at the date of the balance sheet (2019: nil). The company has purchased goods and services to the value of £nil (2019: £23,611) from Carpet & Flooring

## VJ TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Trading) Limited, a company controlled by the wife of our CEO Mark Tomlin. An amount of £nil was outstanding at the date of the balance sheet (2019: £2,400).

The company has purchased goods and services to the value of £nil (2019: £2,729) from Shanise Barrett a sole trader trading as 'Shani's Food Van' and £nil (2019: £35,136) from Kirsty Jeffries a sole trader trading as 'R&R House Keeping', both of which are relatives of the former Finance Director Kelly Bedding. No amount was outstanding at the date of the balance sheet (2019: nil).

#### **25 Ultimate parent company and controlling party**

The immediate parent Company is VJ Technology Trading Limited. The ultimate parent Company is VJ Technology Holdings Limited. It is also the ultimate parent company of the largest and smallest group for which the group accounts are prepared. Copies of the Group financial statements can be obtained from the parent Company's registered office at Technology House, Brunswick Road, Ashford, Kent TN23 1EN or Companies House.

The Directors consider that the ultimate controlling party of the group is Primary Capital Partners LLP.

#### **26 Post balance sheet event**

Sales have continued to grow during 2021 with sales rising above pre-covid levels. The PNC banking facility has been renegotiated and extended for a further three years. Whilst there is world wide disruption to raw material availability and the supply chain, management continue to monitor and manage the situation to ensure we remain in a strong position.