

Company Number: 11254760

VJ TECHNOLOGY LIMITED

Annual Report and Financial Statements

for the year ended
31 December 2021



VJ TECHNOLOGY LIMITED

COMPANY INFORMATION

Directors Anthony Stephen Aldgate
Ross James Bartlett
Lee Alan Martin
Andrew Graham Mobbs
Mark Gerald Tomlin
Mark Andrew Pettit (Appointed 31 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

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VJ TECHNOLOGY LIMITED

STRATEGIC REPORT

For the year ended 31 December 2021

Business review

The principal business of the company continues to be the provision of technical fixings and solutions to the construction industry. The website successfully launched during early May 2021, allowing select customers to view, order and pay for goods through the website. Towards the end of 2021 the website was extended to allow for B2C transactions. During March 2022 own van coverage was extended to encompass Manchester in order to drive further organic growth in that area and a new Transport Management System is being implemented.

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>2021</u>	<u>2020</u>
Turnover	£32,146k	£26,102k
Gross profit	£13,034k	£10,948k
Gross profit percentage	40.5%	41.9%
EBITDA (see note)	£2,586k	£1,801k
Retained profit/(loss)	£118k	(£770k)

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 profit of £451k (2020: £411k loss) plus the depreciation and amortisation charges £1,193k (2020: £1,179k) and non-recurring exceptional costs of £942k (2020: £1,033k).

Principal risks and uncertainties

Covid 19

The Covid crisis continued in early 2021 and throughout the summer but sales in 2021 have continued to grow. The construction industry operated throughout 2021 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 in 2021 was the track and trace system which affected 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 downs at points during 2020 has led to inflationary pressures which has caused 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 in 2020 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 throughout 2021 and in May 2021 £1.5m was repaid of the £3m finance facility acquired in 2020. 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.

VJ TECHNOLOGY LIMITED

STRATEGIC REPORT

For the period ended 31 December 2021

Ukraine risk

During 2022 the unrest in Ukraine caused disruption to the supply chain due to the impact on raw materials. It has not impacted stock availability as a result of the depth of suppliers we deal with but it has led to short term inflationary pressures across the construction market.

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.

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.

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STRATEGIC REPORT

For the period ended 31 December 2021

Post balance sheet events

Sales have continued to grow during 2022 with sales rising above 2019 pre covid levels. Whilst worldwide disruption continues regarding raw material availability and supply chain, management continue to monitor the situation to ensure we are in a strong position. In order to finance growth and cashflow, the group secured additional bank loan finance of £1m in June 2022.

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

Andrew Mobbs

Andrew Mobbs - Director

Date: 21/6/2022

VJ TECHNOLOGY LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

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

Results and dividends

The profit for the year, after taxation, amounted to £118k (2020: £770k loss).

Directors

The directors who served during the year were:

Mark Gerald Tomlin
Anthony Stephen Aldgate
Ross James Bartlett
Lee Alan Martin
Andrew Graham Mobbs
Mark Andrew Pettit (appointed 31 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 2021

Going Concern

The company achieved a profit for the year due a recovery from the Covid pandemic. 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 2019 non Covid 19 affected. There is a surplus on its profit and loss account carried forward. 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 Jan 2021, but steadily rose from Feb to May to pre-lockdown levels and the group is operating profitably. The sales were impacted during Jun to Aug due to Covid track and trace restrictions but recovered from Sep until the end of the year. During the year £1.5m of the additional funding secured in 2020 was repaid.

The directors have reviewed numerous financial scenarios through to June 2023 and all the scenarios 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 obligation. 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.

Qualifying third party indemnity provisions

Third party directors and officers insurances, a qualifying third party indemnity provision, was provided for all directors and officers of the Company during the year and at the date of approval of the financial statements under a policy in the name of the Company.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have been taken as directors 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: 21/6/2022

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 2021, 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 2021 and of its profit 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.

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

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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

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.

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. 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.

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

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- 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 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 FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley
Date: 21/6/2022

VJ TECHNOLOGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	6	32,146	26,102
Cost of sales		<u>(19,112)</u>	<u>(15,154)</u>
Gross profit		13,034	10,948
Other Operating Income	7	237	577
Administrative expenses		<u>(12,820)</u>	<u>(11,936)</u>
Operating profit/(loss)		451	(411)
Interest receivable and similar income	8	-	1
Interest payable and similar charges	9	<u>(371)</u>	<u>(420)</u>
Profit/(Loss) on ordinary activities before taxation	10	80	(830)
Tax credit on loss on ordinary activities	12	38	60
Profit/(Loss) for the financial period		<u>118</u>	<u>(770)</u>
Total comprehensive income		<u>118</u>	<u>(770)</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 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	13	4,135	4,887
Tangible assets	14	346	494
		<u>4,481</u>	<u>5,381</u>
Current assets			
Stocks	15	6,372	5,977
Debtors	16	12,077	8,016
Cash at bank and in hand		103	405
		<u>18,552</u>	<u>14,398</u>
Creditors: amounts falling due within one year	17	<u>(18,238)</u>	<u>(15,088)</u>
Net current assets/liabilities		<u>314</u>	<u>(690)</u>
Total assets less current liabilities		4,795	4,691
Creditors: amounts falling due after more than one year	18	(13)	(27)
Net assets		<u><u>4,782</u></u>	<u><u>4,664</u></u>
Capital and reserves			
Called up share capital	20	500	500
Share premium	20	4,500	4,500
Profit and loss account	21	(218)	(336)
		<u><u>4,782</u></u>	<u><u>4,664</u></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: 21/6/2022

Company registration no: 11254760

VJ TECHNOLOGY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Called-up share capital £ '000	Share premium account £ '000	Profit and loss account £ '000	Total £ '000
Brought forward	500	4,500	434	5,434
Loss and total comprehensive income for the year	-	-	(770)	(770)
Transactions with owners:				
Issue of shares	-	-	-	-
At 31 December 2020	500	4,500	(336)	4,664

	Called-up share capital £ '000	Share premium account £ '000	Profit and loss account £ '000	Total £ '000
Brought forward	500	4,500	(336)	4,664
Profit and total comprehensive income for the year	-	-	118	118
Transactions with owners:				
Issue of shares	-	-	-	-
At 31 December 2021	500	4,500	(218)	4,782

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

VJ TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 profit for the year due to a recovery from the Covid pandemic. 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 2019 non Covid 19 affected. There is a surplus on its profit and loss account carried forward. 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 Jan 2021, but steadily rose from Feb to May to pre-lockdown levels and the group is operating profitably. The sales were impacted during Jun to Aug due to Covid track and trace restrictions but recovered from Sep until the end of the year. During the year £1.5m of the additional funding secured in 2020 was repaid.

The directors have reviewed numerous financial scenarios through to June 2023 and all the scenarios 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 obligation. All forecasts are inherently uncertain due to the current circumstances. However, the directors are confident given the headroom with

VJ TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 £168k (2020: £14k) 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 £528k (2020: £344k) 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 3.6% 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

Intangible assets

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

VJ TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

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

VJ TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

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).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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:

	2021 £'000	2020 £'000
UK	31,848	25,855
Europe	298	247
	<u>32,146</u>	<u>26,102</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

7 Other Operating Income

	2021 £'000	2020 £'000
Government grant	123	571
Rent receivable	11	6
Inter-company Management Charge	103	-
	<u>237</u>	<u>577</u>

8 Interest receivable

	2021 £'000	2020 £'000
Bank interest	-	1
	<u>-</u>	<u>1</u>

9 Interest Payable

	2021 £'000	2020 £'000
Bank interest payable	361	400
Finance lease charges	2	4
Other	8	16
	<u>371</u>	<u>420</u>

10 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after:

	2021 £'000	2020 £'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	20	27
Fees payable to the company's auditor and its associates for other services: Tax compliance services	40	18
Foreign exchange losses/(gains)	2	9
Depreciation	262	293
Amortisation	931	886
Rent payable	302	311
Other operating lease rentals	<u>238</u>	<u>264</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

11 Directors and employees

Staff costs during the year were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	5,547	4,540
Social security costs	576	451
Other pension costs	494	404
Redundancy and termination costs	0	53
	<u>6,617</u>	<u>5,448</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 £494k (2020: £404k)

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

	2021	2020
	Number	Number
Office	44	40
Internal Sales	33	27
External Sales	18	18
Transport	20	20
Warehouse	26	36
	<u>141</u>	<u>141</u>

Remuneration in respect of directors was as follows:

	2021	2020
	£'000	£'000
Emoluments	997	784
Compensation for loss of office	-	-
Pension contributions to money purchase pension schemes	58	84
	<u>1,055</u>	<u>868</u>

During the year five (2020: five) directors participated in money purchase pension schemes.

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

	2021	2020
	£'000	£'000
Emoluments	247	203
Pension contributions to money purchase pension schemes	21	28
	<u>268</u>	<u>231</u>

VJ TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

12 Tax on profit/(loss) on ordinary activities

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

	2021	2020
	£'000	£'000
UK Corporation Tax – current year	78	28
UK Corporation Tax – over provision in prior year	(27)	(186)
Total current tax	<u>51</u>	<u>(158)</u>
Deferred taxation: origination and reversal of timing differences	(84)	120
Adjustments in respect of prior periods	(37)	(24)
Deferred taxation: changes in tax rates	32	2
Tax on results on ordinary activities	<u>(38)</u>	<u>(60)</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>80</u>	<u>(830)</u>
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19%	15	(158)
Fixed asset differences	75	278
Expenses not deductible for tax purposes	22	30
Group relief claimed	(98)	(2)
Adjustments to tax charge in respect of previous periods	(27)	(186)
Adjustments in respect of previous periods – deferred tax	(37)	(24)
Remeasurement of deferred tax for changes in tax rates	12	2
Tax (credit)/charge on results on ordinary activities	<u>(38)</u>	<u>(60)</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Intangible fixed assets

	Goodwill	Software development costs	Patents & Trademarks	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021	5,895	898	15	6,808
Additions		179		179
Disposals		(53)		(53)
At 31 December 2021	<u>5,895</u>	<u>1,024</u>	<u>15</u>	<u>6,934</u>
Depreciation and impairment				
At 1 January 2021	1,475	445	1	1,921
Charge for the year	589	340	2	931
On disposals		(53)		(53)
At 31 December 2021	<u>2,064</u>	<u>732</u>	<u>3</u>	<u>2,799</u>
Net book amount				
At 31 December 2021	<u><u>3,831</u></u>	<u><u>292</u></u>	<u><u>12</u></u>	<u><u>4,135</u></u>
Net book amount				
At 31 December 2020	<u><u>4,420</u></u>	<u><u>453</u></u>	<u><u>14</u></u>	<u><u>4,887</u></u>

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 2021	134	239	557	84	151	20	1,185
Additions	20	5	3	3	83	-	114
Disposals	(2)	(19)	(11)	-	(19)	-	(51)
31 December 2021	<u>152</u>	<u>225</u>	<u>549</u>	<u>87</u>	<u>215</u>	<u>20</u>	<u>1,248</u>
Depreciation							
At 1 January 2021	43	174	340	39	81	14	691
Provided in the year	15	28	138	16	62	3	262
On disposals	(2)	(19)	(11)	-	(19)	-	(51)
31 December 2021	<u>56</u>	<u>183</u>	<u>467</u>	<u>55</u>	<u>124</u>	<u>17</u>	<u>902</u>
Net book amount							
31 December 2021	<u><u>96</u></u>	<u><u>42</u></u>	<u><u>82</u></u>	<u><u>32</u></u>	<u><u>91</u></u>	<u><u>3</u></u>	<u><u>346</u></u>
31 December 2020	<u><u>91</u></u>	<u><u>65</u></u>	<u><u>217</u></u>	<u><u>45</u></u>	<u><u>70</u></u>	<u><u>6</u></u>	<u><u>494</u></u>

Plant and machinery with a carrying value of £16k (2020: £25k) and office equipment with a carrying value of £12k (2020: £18k) are held under finance leases.

VJ TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 Stocks

	2021 £'000	2020 £'000
Stock of goods for resale	<u>6,372</u>	<u>5,977</u>

Stock recognised in cost of sales during the period as an expense was £19,217k (2020: £15,110k)

An impairment gain of £105k (2020: £44k loss) 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

	2021 £'000	2020 £'000
Trade debtors	6,536	4,793
Amounts owed by group undertakings	4,530	2,651
Other debtors	562	222
Prepayments and accrued income	449	350
	<u>12,077</u>	<u>8,016</u>

An impairment loss of £126k (2020: £216k) 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

	2021 £'000	2020 £'000
Bank Loan	8,969	8,262
Finance lease obligations	14	16
Trade creditors	4,228	2,811
Amounts owed to group undertakings	2,694	1,996
Taxation and social security	597	582
Corporation tax	78	27
Deferred tax (note 19)	51	140
Other creditors	749	584
Accruals	858	670
	<u>18,238</u>	<u>15,088</u>

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

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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Finance lease obligations	13	27
Other creditors	-	-
	<u>13</u>	<u>27</u>

19 Deferred taxation asset / (liability)

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

	2020 £'000	2020 £'000
Provision for deferred tax		
Fixed asset timing differences	58	157
Short term timing differences	(7)	(17)
	<u>51</u>	<u>140</u>
Movement in provision		
Provision at start of year	140	42
Deferred tax charged in the profit and loss account in the year	(89)	98
	<u>51</u>	<u>140</u>

20 Called up share capital

	Share Capital	Share Premium
	2020 and 2021	2020 and 2021
	£'000	£'000
Authorised, allotted and fully paid: 500,000 ordinary shares of £1 each	500	4,500
	<u>500</u>	<u>4,500</u>

Consideration received for the allotment of ordinary shares during the year was nil (2020: £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.

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For the year ended 31 December 2021

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 (2020: nil).

23 Leasing commitments

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

	2021	2020
	£'000	£'000
Within one year	303	283
Between one and five years	<u>302</u>	<u>565</u>

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

	2021	2020
	£'000	£'000
Due within one year	16	17
Due between one and five years	<u>14</u>	<u>30</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 £3,462 (2020: £5,873) from Arco Limited, a company in which our Chairman, Kevin Appleton is a director. An amount of £1,683 (2020: nil) was outstanding at the date of the balance sheet.

The company has purchased goods and services to the value of £nil (2020: £4,405) 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 (2020: nil).

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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 2022 with sales rising above 2019 pre covid levels. Whilst worldwide disruption continues regarding raw material availability and supply chain, management continue to monitor the situation to ensure we are in a strong position. In order to finance growth and cashflow, the group secured additional bank loan finance of £1m in June 2022.