

Company Number: 11254760

# VJ TECHNOLOGY LIMITED

## Financial Statements

### For the year ended

### 31 December 2019



VJ TECHNOLOGY LIMITED

COMPANY INFORMATION

**Directors**  
Anthony Stephen Aldgate  
Ross James Bartlett  
Kelly Anne Bedding (Resigned 22 May 2019)  
Lee Alan Martin  
Hedley John Mayor (Resigned 30 September 2019)  
Andrew Graham Mobbs (Appointed 4 February 2020)  
Mark Gerald Tomlin

**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 2019

#### Business review

The principal business of the company continues to be the provision of technical fixings and solutions to the construction industry. The company was created in 2018 to buy out a division of SIG plc, that had been growing strongly and profitably over the last 20 year. The company fully opened its Scottish branch in March 2019 and subsequently opened two depots in greater London to better serve its customers in those regions. During 2019 the parent company of VJ Technology Limited, VJ Technology Trading Limited made 2 acquisitions. Sinops Limited which has added resilience to the supply chain and Mainline Products (UK) Limited which has a specialist fixings product with a cross over of customers with VJ Technology Limited. This acquisition will enable sales growth through gap fill between the two customer bases in 2020.

The company has continued its investment in people and systems to give the company a sound footing on which to develop and expand. The company has increased its national coverage on it's own vehicles with further vehicles added during the year and customer service excellence with a view to maximising sales and profitability. During 2019 the business spent over £2m successfully implementing a new sales office and WMS system. These systems give a solid platform for growth, improve efficiency and remove any keyman dependencies.

These measures will be in the directors' review of the key performance indicators for the business which they have considered to be as below:

	<u>2019</u>	<u>2018</u>
Turnover	£35,476k	£16,717k
Gross profit	£16,051k	£7,233k
Gross profit percentage	45.2%	43.3%
EBITDA (see note)	£4,476k	£1,493k
Retained profit/(loss)	£530k	(£96k)

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 £1,323k (2018: £169k) plus the depreciation and amortisation charges £1,068k (2018: £399k) and non-recurring exceptional costs of £2,085k (2018: £925k).

#### Principal risks and uncertainties

##### Brexit

The impact of Brexit on the company is difficult to quantify and the effects could range from difficulties delivering goods due to congestion in Kent, delays of our imported products, and lack of confidence in the construction industry, resulting in downturn in demand. Management are continually monitoring the situation and have taken some measures to mitigate some risks. 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.

##### Covid 19

The Covid crisis continues but the business has performed better than Directors' expectations during this period. After an initial sharp downturn in trade during early April sales have steadily recovered. It was noted by the Directors that the construction industry was not closed down and that the downturn in sales was caused by construction companies learning to work in a socially distanced way. 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 6 month covenant waiver and loan amortisation reduction to give the company the tools to work through the crisis. This new finance facility will enable the business to meet any liquidity requirements of the business if there is a second wave which creates the same lockdown situation as seen in the first wave. The business is well placed to work through any second wave given its

## VJ TECHNOLOGY LIMITED

### STRATEGIC REPORT

For the period ended 31 December 2018

liquidity and that the construction industry did not lock down and after the initial shock sales quickly recovered to covenant compliant levels.

#### 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

As a part of the buyout, there has been a significant investment in the systems of the business throughout 2018 and 2019. These new systems which include, sales, purchasing, warehouse management and transport management, are beginning to show a benefit to the company and will have significant benefits going forward.

#### 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.

#### **Post balance sheet events**

Since the yearend there has been a global pandemic caused by the Covid 19 virus. There has been no impact on year end or the realisation of balances and therefore no impairments have been identified. During the lockdown caused by the pandemic, demand initially fell sharply in April 2020, but has steadily risen as the country has slowly moved out of lockdown. The group benefited from the fact that at no point was the construction industry closed down. The group is operating profitably.

VJ TECHNOLOGY LIMITED

STRATEGIC REPORT

For the period ended 31 December 2018

In May 2020 the group successfully negotiated additional financing from Investec Bank plc in the form of a £3m loan with a flexible repayment option between May 2021 and May 2022. Interest will be charged on the loan at 3.84%.

The financial services institution which provided the bank loan included in creditors as disclosed in note 17 on page 23, have been very supportive during the pandemic. For the period April to September 2020 the FCCR covenant has been waived and the loan amortisation was reduced by £1M providing extra liquidity to the business. The FCCR covenant recommences in September 2020.

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

*Andrew Mobbs*

Andrew Mobbs - Director

Date: 23/9/2020

## VJ TECHNOLOGY LIMITED

### DIRECTORS' REPORT

For the year ended 31 December 2019

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

#### **Results and dividends**

The profit for the year, after taxation, amounted to £871k (2018: £96k loss).

#### **Directors**

The directors who served during the year were:

Mark Gerald Tomlin

Anthony Stephen Aldgate

Ross James Bartlett

Kelly Anne Bedding (Resigned 22 May 2019)

Lee Alan Martin

Hedley John Mayor (Resigned 30 September 2019)

The following director was appointed after the year end:

Andrew Graham Mobbs 4 February 2020

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

The directors are responsible for preparing the company strategic report, the Directors' report and the company 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 for the company's financial statements 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 2019

#### **Going Concern**

The company achieved a profit for the year. This combined with the retained profits brought forward leaves a surplus on its profit and loss account carried forward. It has significant net assets and despite Covid is trading profitably in 2020. The company is part of the wider VJ Technology Holding Limited group and subject to group wide covenants. 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, however primarily as a result of the accrued interest on the loan notes and the new system implementation costs this leads to a retained loss in the period. 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 July 2022.

During the lockdown caused by the pandemic, demand initially fell sharply in April 2020, but has since steadily risen in May, June and July 2020 to almost pre-lockdown levels and the group is now 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. The terms of which are disclosed in note 26 (post balance sheet events).

The directors have reviewed numerous financial scenarios through to September 2021, including that of a second wave taking sales down to levels seen post the lockdown in May 2020. All the scenarios including this show the group and company has the required levels of liquidity and can meet its covenants by managing costs. 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: 23/9/2020

## 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 2019, 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 2019 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.

### **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **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

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

- 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.

### **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.

### **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: 23/9/2020

## VJ TECHNOLOGY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2019

	Note	2019 (12 months) £'000	2018 (6 months) £'000
<b>Turnover</b>	7	35,476	16,717
Cost of sales		<u>(19,425)</u>	<u>(9,484)</u>
<b>Gross profit</b>		16,051	7,233
Other Operating Income		3	-
Administrative expenses		<u>(14,731)</u>	<u>(7,064)</u>
<b>Operating profit</b>		1,323	169
Interest receivable and similar income	8	4	23
Interest payable and similar charges	9	<u>(456)</u>	<u>(204)</u>
<b>Profit/(Loss) on ordinary activities before taxation</b>	10	871	(12)
Tax charge on profit/loss on ordinary activities	12	341	(84)
<b>Profit/(Loss) for the financial period</b>		<u>530</u>	<u>(96)</u>
<b>Total comprehensive income</b>		<u>530</u>	<u>(96)</u>

There was no other comprehensive income for the period

The notes on pages 14 to 26 form part of these financial statements

## VJ TECHNOLOGY LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	13	5,642	5,658
Tangible assets	14	734	883
		<u>6,376</u>	<u>6,541</u>
<b>Current assets</b>			
Stocks	15	6,185	6,026
Debtors	16	12,274	6,579
Cash at bank and in hand		169	4,037
		<u>18,628</u>	<u>16,642</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(19,527)</u>	<u>(18,135)</u>
<b>Net current liabilities</b>		<u>(899)</u>	<u>(1,493)</u>
<b>Total assets less current liabilities</b>		5,477	5,048
<b>Creditors: amounts falling due after more than one year</b>	18	(43)	(144)
<b>Net assets</b>		<u>5,434</u>	<u>4,904</u>
<b>Capital and reserves</b>			
Called up share capital	20	500	500
Share premium	21	4,500	4,500
Profit and loss account	21	434	(96)
		<u>5,434</u>	<u>4,904</u>

The notes on pages 14 to 26 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: 23/9/2020

Company registration no: 11254760

## VJ TECHNOLOGY LIMITED

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	<b>Called-up share capital £ '000</b>	<b>Share premium account £ '000</b>	<b>Profit and loss account £ '000</b>	<b>Total £ '000</b>
Loss and total comprehensive income for the period	-	-	(96)	(96)
Transactions with owners:				
Issue of shares	500	4,500	-	5,000
<b>At 31 December 2018</b>	<b>500</b>	<b>4,500</b>	<b>(96)</b>	<b>4,904</b>
	<b>Called-up share capital £ '000</b>	<b>Share premium account £ '000</b>	<b>Profit and loss account £ '000</b>	<b>Total £ '000</b>
Brought forward	500	4,500	(96)	4,904
Profit and total comprehensive income for the year			530	530
Transactions with owners:				
Issue of shares	-	-	-	-
<b>At 31 December 2019</b>	<b>500</b>	<b>4,500</b>	<b>434</b>	<b>5,434</b>

The notes on pages 14 to 26 form part of these financial statements

## VJ TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

#### 1 Company information

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

The principal activity of the company continues to be that of the supply of construction fixings and tools.

#### 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. This combined with the retained profits brought forward leaves a surplus on its profit and loss account carried forward. It has significant net assets and despite Covid is trading profitably in 2020. The company is part of the wider VJ Technology Holding Limited group and subject to group wide covenants. 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, however primarily as a result of the accrued interest on the loan notes and the new system implementation costs this leads to a retained loss in the period. 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 July 2022.

During the lockdown caused by the pandemic, demand initially fell sharply in April 2020, but has since steadily risen in May, June and July 2020 to almost pre-lockdown levels and the group is now 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. The terms of which are disclosed in note 26 (post balance sheet events).

The directors have reviewed numerous financial scenarios through to September 2021, including that of a second wave taking sales down to levels seen post the lockdown in May 2020. All the scenarios including this

## VJ TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

show the group and company has the required levels of liquidity and can meet its covenants by managing costs. 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 £172k (2018: £128k) 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 £592k (2018: £549k) 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.

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.

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

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019

#### 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).

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:

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

- 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.

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 Business combination**

No business acquisitions were made during the year. During the previous period the company made a business acquisition of the trade and assets used by a branch of SIG plc. This was been accounted for using the acquisition method. The goodwill arising is being amortised over ten years which the directors consider to be a realistic estimate of its useful economic life taking account of the quality of service delivery and loyal and long-standing customer base.

	<b>2018</b>	
	<b>(6 months)</b>	
	<b><u>£'000</u></b>	
Purchase consideration		
Cash paid		<u>22,230</u>
Assets and liabilities acquired	<u>Vendors' Book</u>	<u>Fair value to the</u>
	<u>Value</u>	<u>company</u>
Tangible Fixed Assets	326	316
Stock	5,186	4,936
Debtors	6,832	6,832
Cash	4,549	4,549
Creditors	443	(310)
Net assets acquired	<u>17,336</u>	<u>16,323</u>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Satisfied by:	
Consideration	22,230
Net assets acquired	<u>16,323</u>
Goodwill arising	<u>5,907</u>

**2018**  
**(6 months)**  
**£'000**

Purchase Consideration	22,230
Net assets acquired	<u>16,323</u>
Goodwill arising	<u>5,907</u>

**7 Turnover**

Turnover, analysed geographically between markets, was as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>(6 months)</b>
		<b>£'000</b>
UK	35,450	16,699
Europe	<u>26</u>	<u>18</u>
	<u>35,476</u>	<u>16,717</u>

**8 Interest receivable**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>(6 months)</b>
		<b>£'000</b>
Bank interest	4	23
	<u>4</u>	<u>23</u>

**9 Interest Payable**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>(6 months)</b>
		<b>£'000</b>
Bank interest payable	432	198
Finance lease charges	4	2
Other	<u>20</u>	<u>4</u>
	<u>456</u>	<u>204</u>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**10 Profit/Loss on ordinary activities before taxation**

The profit/loss on ordinary activities before taxation is stated after:

	2019	2018
	£'000	(6 months) £'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the group's annual accounts	55	31
Fees payable to the company's auditor and its associates for other services: Tax compliance services	34	15
Foreign exchange (gains)/losses	(35)	5
Depreciation	335	97
Amortisation	733	302
Rent payable	261	133
Other operating lease rentals	296	20

**11 Directors and employees**

Staff costs during the year were as follows:

	2019	2018
	£'000	(6 months) £'000
Wages and salaries	6,180	3,064
Social security costs	730	393
Other pension costs	401	85
Redundancy and termination costs	328	-
	<u>7,639</u>	<u>3,542</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 £401k (2018: £85k)

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

	2019	2018
	Number	(6 months) Number
External Sales	20	18
Office	37	29
Internal Sales	27	25
Transport	16	11
Warehouse	37	25
	<u>137</u>	<u>108</u>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Remuneration in respect of directors was as follows:

	2019	2018 (6 months)
	£'000	£'000
Emoluments	1,178	597
Compensation for loss of office	320	-
Pension contributions to money purchase pension schemes	92	7
	<u>1,590</u>	<u>604</u>

During the period six directors participated in money purchase pension schemes.

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

	2019	2018 (6 months)
	£'000	£'000
Emoluments	293	128
Pension contributions to money purchase pension schemes	9	-
	<u>302</u>	<u>128</u>

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

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

	2019	2018 (6 months)
	£'000	£'000
UK Corporation Tax – current year	337	163
UK Corporation Tax – over provision in prior year	(117)	-
Total current tax	<u>220</u>	<u>163</u>
Deferred taxation: origination and reversal of timing differences	121	(88)
Deferred taxation: changes in tax rates	-	9
Tax on results on ordinary activities	<u>341</u>	<u>84</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>871</u>	<u>(12)</u>
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Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19%	165	(2)
Expenses not deductible for tax purposes	172	77
Difference in tax rates	-	9
Tax on results on ordinary activities	<u>337</u>	<u>84</u>

VJ TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**13 Intangible fixed assets**

	Goodwill £'000	Software development costs £'000	Patents & Trademarks £'000	Total £'000
Cost				
At 1 January 2019	5,907	53	-	5,960
Additions	(12)	725	4	717
<b>At 31 December 2019</b>	<b>5,895</b>	<b>778</b>	<b>4</b>	<b>6,677</b>
Depreciation and impairment				
At 1 January 2019	295	7	-	302
Charge for the year	590	143	-	733
<b>At 31 December 2019</b>	<b>885</b>	<b>150</b>	<b>-</b>	<b>1,035</b>
<b>Net book amount at 31 December 2019</b>	<b>5,010</b>	<b>628</b>	<b>4</b>	<b>5,642</b>
<b>Net book amount at 31 December 2018</b>	<b>5,612</b>	<b>46</b>	<b>-</b>	<b>5,658</b>

Amortisation of intangible fixed assets is included in administrative expenses

**14 Tangible fixed assets**

	Leasehold Premises £'000	Plant & Machinery £'000	Furniture & Fixtures £'000	Office Equipment £'000	IT Hardware £'000	Motor Vehicles £'000	Total £'000
Cost							
At 1 January 2019	127	250	428	78	86	11	980
Additions	0	2	124	6	42	12	186
<b>At 31 December 2019</b>	<b>127</b>	<b>252</b>	<b>552</b>	<b>84</b>	<b>128</b>	<b>23</b>	<b>1,166</b>
Depreciation							
At 1 January 2019	7	46	25	5	9	5	97
Provided in the year	19	97	155	17	38	9	335
<b>At 31 December 2019</b>	<b>26</b>	<b>143</b>	<b>180</b>	<b>22</b>	<b>47</b>	<b>14</b>	<b>432</b>
<b>Net book amount 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>
<b>At 31 December 2018</b>	<b>120</b>	<b>204</b>	<b>403</b>	<b>73</b>	<b>77</b>	<b>6</b>	<b>883</b>

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Plant and machinery with a carrying value of £38k (2018: £51k) and office equipment with a carrying value of £24k (2018: £25k) are held under finance leases.

**15 Stocks**

	2019 £'000	2018 £'000
Stock of goods for resale	<u>6,185</u>	<u>6,026</u>
Stock recognised in cost of sales during the period as an expense was £19,373k (2018: £9,326k)		

An impairment loss of £51k (2018: £271k) 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**

	2019 £'000	2018 £'000
Trade debtors	6,264	5,867
Amounts owed by group undertakings	5,269	90
Deferred tax (see note 19)	-	79
Other debtors	428	350
Prepayments and accrued income	313	193
	<u>12,274</u>	<u>6,579</u>

An impairment loss of £198k (2018: £113k) was recognised against trade debtors.  
Amounts owed by the parent undertaking are payable on demand and are interest free.

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

	2019 £'000	2018 £'000
Bank overdrafts	-	791
Bank Loan	12,326	9,125
Finance lease obligations	20	18
Trade creditors	3,090	1,851
Amounts owed to group undertakings	1,527	3,351
Taxation and social security	710	759
Corporation tax	220	163
Deferred tax	42	-
Other creditors	575	629
Accruals	1,017	1,448
	<u>19,527</u>	<u>18,135</u>

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

## VJ TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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**

	2019 £'000	2018 £'000
Finance lease obligations	43	58
Other creditors	-	86
	<u>43</u>	<u>144</u>

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

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

	2019 £'000	2018 £'000
Balance brought forward	79	-
Short term timing differences	(121)	79
	<u>(42)</u>	<u>79</u>

**20 Called up share capital**

	Share Capital	Share Premium
	2018 and 2019	2018 and 2019
	£'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 (2018: £5,000k). 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 2019

**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**

At the period end, the company had capital commitments as under:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<u>Aurthorised and contracted</u>		
Motor Vehicles	-	12
Fixtures and Fittings	-	105
	<u>-</u>	<u>117</u>

**23 Leasing commitments**

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	298	324
Between one and five years	848	1,146
	<u>848</u>	<u>1,146</u>

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Due within one year	23	21
Due between one and five years	48	64
	<u>48</u>	<u>64</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 £5,268 (2018: £965) from Arco Limited, a company in which our Chairman, Kevin Appleton is a director. An amount of £766 (2018: nil) was outstanding at the date of the balance sheet.

## VJ TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

The company has purchased goods and services to the value of £17,441 (2018: £30,725) from Complete UK Security Limited, a company controlled by the son of our CEO Mark Tomlin. No amount was outstanding at the date of the balance sheet (2018: nil). The company has purchased goods and services to the value of £23,611 (2018: nil) from Carpet & Flooring (Trading) Limited, a company controlled by the wife of our CEO Mark Tomlin. An amount of £2,400 was outstanding at the date of the balance sheet (2018: nil).

The company has purchased goods and services to the value of £2,729 (2018: £12,020) from Shanise Barrett a sole trader trading as 'Shani's Food Van' and £35,136 (2018: £29,174) 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 (2018: 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**

Since the yearend there has been a global pandemic caused by the Covid 19 virus. There has been no impact on year end or the realisation of balances and therefore no impairments have been identified. During the lockdown caused by the pandemic, demand initially fell sharply in April 2020, but has steadily risen as the country has slowly moved out of lockdown. The group benefited from the fact that at no point was the construction industry closed down. The group is operating profitably.

In May 2020 the group successfully negotiated additional financing from Investec Bank plc in the form of a £3m loan with a flexible repayment option between May 2021 and May 2022. Interest will be charged on the loan at 3.84%.

The financial services institution which provided the bank loan included in creditors as disclosed in note 17 on page 23, have been very supportive during the pandemic. For the period April to September 2020 the FCCR covenant has been waived and the loan amortisation was reduced by £1M providing extra liquidity to the business. The FCCR covenant recommences in September 2020.