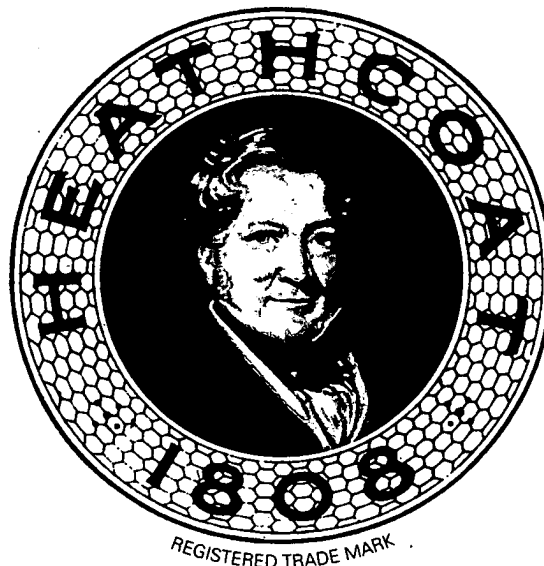


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John Heathcoat & Company (Holdings) Limited

Registered No. 1829759

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MAY, 2020**

John Heathcoat & Company (Holdings) Limited

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John Heathcoat & Company (Holdings) Limited

Notice of Meeting

Notice is hereby given that the annual general meeting of the company will be held at the company's registered office at Westexe, Tiverton, on Thursday, 26th November 2020 at 12:00 noon for the following purposes:

1. To receive and adopt the report of the directors and the audited financial statements for the year ended 31st May 2020.
2. To appoint auditors and to authorise the directors to fix their remuneration.
3. To declare a dividend.
4. To transact any other business which may be transacted at an annual general meeting.



By order of the Board
D. PENN, Company Secretary
11th November, 2020

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead: a proxy need not be a member.

John Heathcoat & Company (Holdings) Limited

Directors and Company Information

Directors:	G. A. Clark, (Chairman) C. G. Harvie, A.C.M.A. (Managing Director, Heathcoat Fabrics Limited) S. C. Waddington, A.C.A. (Chairman, Heathcoat Fabrics Limited)
Company Secretary:	D. Penn, F.C.I.S.
Registered Office:	John Heathcoat & Company (Holdings) Limited Westexe Tiverton Devon EX16 5LL
Bankers:	National Westminster Bank plc Tiverton Devon EX16 6LW
Independent Auditor:	KPMG LLP Regus, 4 th Floor Salt Quay House 6 North East Quay Plymouth PL4 0HP

John Heathcoat & Company (Holdings) Limited

Strategic Report

The directors present their strategic report for the year ended 31st May 2020.

Business review

The group continued to trade profitably in the year which included the COVID-19 lockdown in March, April and May, and has reacted well to the market conditions arising from the pandemic.

The Directors recognised that the COVID-19 pandemic would have a significant impact on the business and the world economy in general. During the early stages of the pandemic, the Directors took all necessary steps to protect the business and our employees. The immediate focus was the health and safety of our employees, followed by securing supplies of raw materials and continuity of delivery to our customers.

There were reductions in demand through the lockdown period, however we continued to trade profitably. The group continued to operate as usual with only the planned Easter shutdown taking place. No other shutdowns were necessary due to COVID-19. Management of headcount was undertaken to match demand levels. The supply chain continued through the lockdown period with no significant issues. Following the 31st May 2020 year end, demand has been steadily increasing and the expectation is that sales will gradually increase as we progress through the current financial year. Forecasts have been prepared and strategy adapted to manage the likely short to medium term impact of COVID-19. The Directors are confident that the business will continue to flourish and be well placed once the worst of the pandemic is over and will also have sufficient resources to secure new opportunities as they continue to arise.

Consequently, whilst acknowledging there is some level of uncertainty, the Directors are confident that it is appropriate to prepare the financial statements on a going concern basis. For further information please see the going concern note in the Accounting Policies section of these financial statements.

The group remains committed to further development of the Tiverton site and will continue to make improvements using a lean manufacturing approach.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

The ongoing uncertainty over Brexit has led to the group continuing to monitor the supply of raw materials, and the management of stock levels of finished fabric in conjunction with major customers in anticipation of the end of the transition period.

As stated in the business review COVID-19 has had an impact on the group and the world economy in general. Through the risk management process established for the group, major risks have been identified and adequately mitigated where necessary. The group has implemented a wide range of controls that allow us to maintain operations in a secure workplace. The group has committed to staying Covid-19 Secure to confirm it complies with all government rules and guidance. We continue to review PHE, HSE and Government guidance to ensure the business adapts to keep employees, their families and our community safe. The Directors will continue to monitor the situation and take appropriate action to protect and grow the business.

The other key business risks and uncertainties affecting the group are considered to relate to competition, employee retention and product availability. Management has reduced these risks by adopting a lean manufacturing approach to improve quality and delivery performance and reduce unit costs, daily meetings are held to focus attention on these areas. The group also has an extensive development capability to provide new products for its customers.

John Heathcoat & Company (Holdings) Limited

Strategic Report — *continued*

Section 172(1) statement

The Directors of the group acknowledge that they must act in a way which is considered, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole, as defined in Section 172(1) of the Companies Act 2006. In doing so, the Directors have considered the following factors and set out below how they have regarded each.

Section 172 Factors	Considerations and Actions
Consequence of any decisions in the long term	The Board believes the Group's long-term success is best achieved by adapting and evolving its strategy in line with market demands. The Board is responsible for establishing and reviewing the long-term strategy, after taking into account the proposals of the senior management team.
Interests of employees	The Directors regularly engage with employees at daily meetings. Employee representatives also attend regular update meetings where their feedback and ideas along with any concerns are discussed. We are committed to providing a positive work environment that promotes equal employment opportunities and is free from all forms of discrimination.
Fostering business relationships with customers, suppliers, and others	The Directors engage in discussion and collaborate with our customers and suppliers on a regular basis. Prior to the COVID-19 pandemic, we regularly exhibited at and attended a number of international trade shows to further develop these relationships. We recognise the importance of fostering the group's business relationships.
Impact of the company's operations on the community and the environment	The Board recognise that we can impact the environment and local community in a variety of ways. We are committed to promoting environmental responsibility by monitoring our footprint on energy, emissions, water usage, waste and recycling. We maintain positive dialogue with regulators and other interested parties. We invite the local community to provide feedback, and our environmental manager sits on the local town council climate change committee.
Maintaining a high standard of business conduct	Our Directors work closely with the HR and Compliance team to ensure all critical policies and guidance for internal and external stakeholders are updated on a regular basis.
Acting fairly as between members of the company	We ensure that our key stakeholders and members interests are always considered through regular reporting to the board. We have robust policies and procedures in place to protect our people.

John Heathcoat & Company (Holdings) Limited

Strategic Report — *continued*

Financial key performance indicators

<u>Description</u>	2020	2019
	£000	£000
Turnover	53,827	55,923
Operating Profit on continuing operations	3,322	3,272
Cash inflow/(outflow)	3,519	(528)
Operating Profit per full time equivalent employee	7.2	7.0
	%	%
Attendance (excludes planned absence)	96.8	97.2



By order of the Board
D. PENN, *Company Secretary*
11th November, 2020

John Heathcoat & Company (Holdings) Limited

Directors' Report

The directors submit their report and audited consolidated financial statements for the year ended 31st May 2020.

Principal activities

The principal activity of the company is to act as a holding company for the group. The principal activities of the group are the manufacture and dyeing and finishing of fabrics. A review of the group's performance and future development is included in the Strategic Report on pages 4-6.

Profit and Dividends

The profit for the financial year, after taxation, attributable to members of the holding company amounted to £2,706,000 (2019: £1,769,000).

	2020	2019
The following interim payments have been made:	£	£
Interim dividends paid — Ordinary shares	Nil	159,120
Nil (2019: 15.43p) per share		
The directors recommend the following final payments:		
Final dividends proposed — Ordinary shares	Nil	435,105
Nil (2019: 42.19p) per share		

A preference dividend of £9,625 (2019: £9,625) has also been paid in the year and in accordance with FRS 102 this is included in interest payable.

Directors

The following people served as directors of the company during the year and up to the date of signing the financial statements:-

G. A. Clark
S. C. Waddington
C. G. Harvie

Employee Benefit Trust

C. G. Harvie and S. C. Waddington are directors of John Heathcoat Trustee Company Limited, the trustee of the Employee Benefit Trust that held 54,643 unallocated shares as at 31st May 2020. Dividends relating to unallocated shares held by the Employee Benefit Trust were waived in the year.

Fixed assets

Full details of the movements in fixed assets are given in Note 9 on Page 28.

During the year under review the group invested £2,866,000 (2019: £2,641,000) in new buildings and equipment.

Market values of land and buildings

A valuation of the properties owned by the group was made by Alder King in February 2016. The group's freehold manufacturing site at Tiverton was valued on the basis of existing use and all other properties were valued at market value. On this basis the total property value at the time was £8,025,000 and the group has subsequently spent £2,558,671 on property improvements.

Properties are shown in the financial statements at a value of £6,265,000 (2019: £6,370,000) which represents historical cost less accumulated depreciation.

John Heathcoat & Company (Holdings) Limited

Directors' Report — continued

Charitable donations

No Charitable donations were made in the year (2019: Nil).

Employee involvement

The companies within the group maintain and develop the involvement of employees through both formal and informal systems of communication and consultation.

All employees within the group benefit from a profit sharing scheme. A proportion of the profits are transferred to a pool which is distributed among all employees in proportion to their earnings.

Regular meetings are held with the employees' representatives to discuss the group's performance.

Employment of disabled persons

It is the policy of the group that disabled persons should have the same consideration for employment opportunities as others where they have the appropriate skills, experience, and qualifications. Similarly, disabled persons are given the same consideration as other employees for career development, training and promotion where their abilities allow. Special consideration is given to the continuity of employment of any existing employee who becomes disabled and, wherever practicable, to providing alternative employment with suitable retraining.

Environmental policy

The group has ISO 14001 certification, copies of the environmental policy are available from the company secretary on request.

Streamlined Energy and Carbon reporting (SECR)

The following guidance has been used during the preparation of this report.

- 2019 UK Government Environmental Reporting Guidelines
- Energy Managers Association Methodology
- 2019 UK Government's Conversion Factors for Company Reporting

For the year ended 31st May 2020, the group reports the following emissions data:

Emissions	Reporting Year to 31st May 2020
Gross Emissions	
Scope 1 emissions (tCO ₂ e) from combustion of gas	10,761
Scope 1 emissions (tCO ₂ e) from combustion of fuel for transport	36
Scope 2 emissions (tCO ₂ e) from purchased/generated electricity	1,198
Scope 3 emissions (tCO ₂ e) from purchased electricity transmission and distribution	117
Total gross scope 1,2 and 3 tCO ₂ e	12,112
Offsets tCO ₂ e (from onsite generation and imported renewable energy)	(160)
Nett Emissions	11,952
Total Sales (£000's)	£53,827
Intensity Ratio tCO₂e per £100,000 Sales	22.20

John Heathcoat & Company (Holdings) Limited

Directors' Report — *continued*

In the period covered by the report the group has invested in energy efficient machinery, continued to upgrade lighting to LED sources across the site, purchased four new forklift trucks to replace older vehicles, and refurbished/replaced various motors and air conditioning units within the site.

On site generation comes from both solar and hydro generation systems which were installed in 2017. We also amended our power contract to purchase imported electricity from Natural Renewable sources from April 2020.

Financial risk management

The group's operations expose it to a variety of financial risks that include credit and foreign exchange risks. The group has in place adequate controls to limit the effect of these risks which are managed by the finance department.

Credit risk

The group has taken out insurance to cover credit risk and carries out regular credit checks on customers.

Foreign Exchange

The group monitors the foreign exchange risk on a regular basis and ensures that currency risk is limited by taking out forward contracts where necessary.

Research and development

The group's activities are concentrated on the development of new products, new processes, and quality improvement of existing products.

Disclosure of information to auditor

So far as each of the directors are aware, there is no relevant audit information (that is, any information needed by the group's independent auditor in connection with preparing their report) of which the group's auditor is unaware, and each of the directors has taken all steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the group's independent auditor is aware of that information.

Independent Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

John Heathcoat & Company (Holdings) Limited

Directors' Report — *continued*

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the groups profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



By order of the Board
D.PENN, *Company Secretary*
11th November, 2020

John Heathcoat & Company (Holdings) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN HEATHCOAT & COMPANY (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of John Heathcoat & Company (Holdings) Limited ("the company") for the year ended 31 May 2020 which comprise the Consolidation Profit and Loss Account, Consolidated Statement of Other Comprehensive Income, Group and Parent Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and related notes, including the accounting policies on pages 14-17.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. 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 group or the company will continue in operation.

John Heathcoat & Company (Holdings) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN HEATHCOAT & COMPANY (HOLDINGS) LIMITED — *continued*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

John Heathcoat & Company (Holdings) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN HEATHCOAT & COMPANY (HOLDINGS) LIMITED — *continued*

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Gordon (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Regus, 4th Floor

Salt Quay House

6 North East Quay

Plymouth

PL4 0HP

12 November 2020

John Heathcoat & Company (Holdings) Limited

Accounting Policies

John Heathcoat & Company (Holdings) Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK and registered in England and Wales.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included as the Directors consider the Key Management Personnel to be the Directors.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

Measurement convention

The financial statements are prepared on the historical cost basis:

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, after taking account of any severe but plausible downside impact of COVID-19 on the operations and financial resources, the group will have sufficient funds to meet its liabilities as they fall due for that period.

A number of potential scenarios have been considered, including a further period of general lockdown, and a possible temporary reduction in production capacity due to COVID-19. The effect on customers, suppliers and staff through these scenarios have also been considered. Taking these into account a prudent forecast has been prepared. The Directors are confident that appropriate stress testing has been performed on the going concern scenarios and that the cash reserves of the business are strong. The group continued to trade profitably through the original lockdown period to 31st May 2020 and is forecast to trade profitably in the future.

John Heathcoat & Company (Holdings) Limited

Accounting Policies — *continued*

Mitigating actions that have been considered are possible postponement of capital investment, control of stock levels as necessary, strict management of headcount and costs, and a dividend reduction if necessary. The group has no external debt and there have been no material changes to liquidity since the balance sheet date. The Directors do not consider that any external funding will be required. The Group has a strong balance sheet and adequate cash resources.

Consequently, the Directors are confident that the group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31st May. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

John Heathcoat & Company (Holdings) Limited

Accounting Policies — *continued*

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Tangible fixed assets

Tangible fixed assets are shown in these financial statements at historical cost less depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided so as to write off the cost less residual value of fixed assets over their estimated useful lives principally at the following annual rates:

Freehold buildings	5%
Plant and machinery	15% to 25%

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Net Foreign currency gains are included in other interest receivable and similar income.

John Heathcoat & Company (Holdings) Limited

Accounting Policies — *continued*

Turnover

Turnover is recognised when the risks and rewards associated with the group's products are transferred to the customer, which is generally on despatch. Turnover excludes value added tax and sales between group companies.

Investment income

Income from investments is included, together with any related tax credit, in the consolidated profit and loss account on an accruals basis.

Grant income

The JRS grant has been applied to reduce underlying expenses in the consolidated profit and loss account on an accruals basis.

Pension Costs

The group's defined benefit pension scheme was closed to new members and ceased accrual for existing members from 31st May 2006. The group's net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the group's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method.

Changes in the net defined benefit liability arising from net interest on net defined benefit liability, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

The group also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The group contributes to a group personal pension plan. Contributions are charged to the profit and loss account as they become payable in accordance with employees' contracts of employment.

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Employee Benefit Trust

The company recognises its Employee Benefit Trust's assets and liabilities as its own where it has de facto control of those assets and liabilities. Consideration paid by the Employee Benefit Trust in acquiring shares in the company is deducted from the profit and loss reserve in arriving at shareholders' funds.

John Heathcoat & Company (Holdings) Limited

Consolidated Profit and Loss Account for the Year Ended 31st May 2020

		<u>2020</u>	<u>2019</u>
	<i>Notes</i>	£000	£000
Turnover on continuing operations	1	53,827	55,923
Cost of sales		<u>(40,684)</u>	<u>(42,714)</u>
Gross profit		13,143	13,209
Other operating expenses	2	<u>(9,821)</u>	<u>(9,937)</u>
Operating profit before interest		3,322	3,272
Interest receivable and similar income	3	272	218
Interest payable and similar charges	4	(15)	(11)
Other finance charges	15	<u>(330)</u>	<u>(1,352)</u>
Profit before taxation		3,249	2,127
Tax on profit	7	<u>(543)</u>	<u>(358)</u>
Profit for the financial year		<u>2,706</u>	<u>1,769</u>

All results were derived from continuing operations.

John Heathcoat & Company (Holdings) Limited

Consolidated Statement of Other Comprehensive Income for the Year Ended 31st May 2020

		<u>2020</u>	<u>2019</u>
	<i>Notes</i>	£000	£000
Profit for the financial year		2,706	1,769
Other Comprehensive income			
Re-measurement of net defined benefit liability	15	(3,404)	(5,722)
Income tax on other comprehensive income		940	973
Other comprehensive income for the year, net of income tax		<u>(2,464)</u>	<u>(4,749)</u>
 Total comprehensive income for the year		 <u>242</u>	 <u>(2,980)</u>

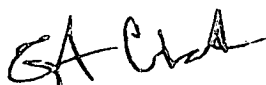
John Heathcoat & Company (Holdings) Limited

Group and parent company balance sheets as at 31st May 2020

	Notes	Group		Company	
		2020 £000	2019 £000	2020 £000	2019 £000
Fixed assets					
Tangible assets	9	16,452	16,946	6,265	6,370
Investments	10	—	—	2,496	2,496
		<u>16,452</u>	<u>16,946</u>	<u>8,761</u>	<u>8,866</u>
Current assets					
Stocks	11	13,654	14,435	—	—
Debtors	12	9,716	11,776	6,625	7,483
Cash at bank and in hand	18	9,277	5,758	3,334	345
		<u>32,647</u>	<u>31,969</u>	<u>9,959</u>	<u>7,828</u>
Current liabilities					
Creditors: amounts falling due within one year	13	(7,398)	(9,205)	(434)	(442)
Net current assets		<u>25,249</u>	<u>22,764</u>	<u>9,525</u>	<u>7,386</u>
Total assets less current liabilities		41,701	39,710	18,286	16,252
Creditors – amounts falling due after more than one year	13	(275)	(275)	(275)	(275)
Provisions for Liabilities – Deferred Tax	14	(35)	(97)	—	—
Net assets excluding pension deficit		<u>41,391</u>	<u>39,338</u>	<u>18,011</u>	<u>15,977</u>
Net pension deficit	15	(14,414)	(12,168)	(14,414)	(12,168)
Net assets including pension deficit		<u>26,977</u>	<u>27,170</u>	<u>3,597</u>	<u>3,809</u>
Capital and reserves					
Called up share capital	16	1,076	1,076	1,076	1,076
Other reserves		2,842	2,842	949	949
Profit and loss account		23,059	23,252	1,572	1,784
Total shareholders' funds		<u>26,977</u>	<u>27,170</u>	<u>3,597</u>	<u>3,809</u>

The financial statements on pages 14-36 were approved by the Board on 11th November, 2020 and signed on their behalf by

G. A. CLARK, Director



S. C. WADDINGTON, Director



John Heathcoat & Company (Holdings) Limited, registered number 1829759

John Heathcoat & Company (Holdings) Limited

Consolidated Statement of Changes in Equity

Year Ended 31st May 2019	Called up Share capital	Capital reserve	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1st June 2018	1,076	1,893	949	26,839	30,757
Total comprehensive income for the period:					
Profit for the financial year	—	—	—	1,769	1,769
Other comprehensive income	—	—	—	(4,749)	(4,749)
Total comprehensive income for the period	—	—	—	(2,980)	(2,980)
Transactions with owners, recorded directly in equity:					
Dividends	—	—	—	(607)	(607)
Purchase of own shares	—	—	—	—	—
Total contributions by and distributions to owners	—	—	—	(607)	(607)
Balance at 31st May 2019	1,076	1,893	949	23,252	27,170
Year Ended 31st May 2020	Called up Share capital	Capital reserve	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1st June 2019	1,076	1,893	949	23,252	27,170
Total comprehensive income for the period:					
Profit for the financial year	—	—	—	2,706	2,706
Other comprehensive income	—	—	—	(2,464)	(2,464)
Total comprehensive income for the period	—	—	—	242	242
Transactions with owners, recorded directly in equity:					
Dividends	—	—	—	(435)	(435)
Total contributions by and distributions to owners	—	—	—	(435)	(435)
Balance at 31st May 2020	1,076	1,893	949	23,059	26,977

John Heathcoat & Company (Holdings) Limited

Company Statement of Changes in Equity

Year Ended 31st May 2019	Called up Share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1st June 2018	1,076	949	3,527	5,552
Total comprehensive income for the period:				
Profit for the financial year	—	—	3,613	3,613
Other comprehensive income	—	—	(4,749)	(4,749)
Total comprehensive income for the period	—	—	(1,136)	(1,136)
Transactions with owners, recorded directly in equity:				
Dividends	—	—	(607)	(607)
Purchase of own shares	—	—	—	—
Total contributions by and distributions to owners	—	—	(607)	(607)
Balance at 31st May 2019	1,076	949	1,784	3,809
Year Ended 31st May 2020	Called up Share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1st June 2019	1,076	949	1,784	3,809
Total comprehensive income for the period				
Profit for the financial year	—	—	2,687	2,687
Other comprehensive income	—	—	(2,464)	(2,464)
Total comprehensive income for the period	—	—	223	223
Transactions with owners, recorded directly in equity:				
Dividends	—	—	(435)	(435)
Total contributions by and distributions to owners	—	—	(435)	(435)
Balance at 31st May 2020	1,076	949	1,572	3,597

John Heathcoat & Company (Holdings) Limited

Consolidated Cash Flow Statement for the Year Ended 31st May 2020

	Notes	2020 £000	2019 £000
Cash Flows from operating activities			
Profit for the year		2,706	1,769
Depreciation of tangible fixed assets	9	3,343	3,420
Interest receivable and similar income	3	(272)	(218)
Foreign exchange gains	3	223	188
Interest payable and similar charges	4	15	11
Other finance charges	15	330	1,352
Profit on disposal of fixed assets	1	(9)	(9)
Taxation	7	543	358
Payment to the Defined Benefit Pension Scheme	15	(600)	(600)
		<u>6,279</u>	<u>6,271</u>
Decrease/(Increase) in stocks	11	781	(978)
Decrease/(Increase) in trade and other debtors	12	2,060	(1,905)
(Decrease) in trade and other creditors	13	(1,855)	(551)
Decrease/(Increase) in working capital		986	(3,434)
U.K. Corporation tax paid		(505)	(151)
Net Cash from operating activities		<u>6,760</u>	<u>2,686</u>
Cash Flows from investing activities			
Purchase of tangible fixed assets	9	(2,866)	(2,641)
Sale of tangible fixed assets	9	26	15
Interest received	3	11	2
Rent received	3	38	28
Net Cash from investing activities		<u>(2,791)</u>	<u>(2,596)</u>
Cash Flows from financing activities			
Equity dividends paid	6	(435)	(607)
Interest paid	4	(5)	(1)
Preference dividends	4	(10)	(10)
		<u>(450)</u>	<u>(618)</u>
Increase/(Decrease) in cash		<u>3,519</u>	<u>(528)</u>
Cash at bank and in hand at 31st May 2019	18	5,758	6,286
Cash at bank and in hand at 31st May 2020	18	<u>9,277</u>	<u>5,758</u>

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements

	<u>2020</u> £000	<u>2019</u> £000
1. Turnover and profit on ordinary activities before taxation		
Turnover by geographical area		
UK	19,019	20,622
EU	25,003	25,123
Rest of the world	9,805	10,178
	<u>53,827</u>	<u>55,923</u>
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on owned assets	3,343	3,420
Profit on sale of fixed assets	(9)	(9)
Hire of plant and equipment	78	83
Fees payable to the company's auditors for the audit of the company's annual financial statements	2	1
Fees payable to the company's auditors for other services:		
Audit of the company's subsidiaries pursuant to legislation	36	35
Other services	5	6
2. Other operating expenses		
Distribution costs	4,368	4,718
Administrative expenses	5,453	5,219
	<u>9,821</u>	<u>9,937</u>
3. Interest receivable and similar income		
Rents receivable	38	28
Net foreign exchange gain	223	188
Interest receivable	11	2
	<u>272</u>	<u>218</u>
4. Interest payable and similar charges		
On bank overdrafts	5	1
On preference shares (3.5p per £1 share)	10	10
	<u>15</u>	<u>11</u>

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

	<u>2020</u> £000	<u>2019</u> £000
5. Directors and Staff costs		
Directors		
Aggregate emoluments	<u>458</u>	<u>366</u>
In addition to the above, director's bonuses of £4,228 (2019: £33,223) are salary sacrificed into the pension scheme and are included within pension contributions.		
Directors emoluments to the value of £395,168 (2019: £292,998) and pension contributions of £15,450 (2019: £54,517) in respect of 2 directors (2019: 2) have been borne by a subsidiary company, Heathcoat Fabrics Ltd, as these directors are also directors of other companies within the group.		
Directors emoluments to the value of £51,769 (2019: £71,815) relate to services to the holding company.		
Highest paid director	<u>218</u>	<u>213</u>
	<u>2020</u> £000	<u>2019</u> £000
Staff costs:		
Wages and salaries	13,594	13,793
Social security costs	1,374	1,376
Other pension costs (note 15)	<u>740</u>	<u>727</u>
	<u>15,708</u>	<u>15,896</u>
The monthly average number of persons employed by the group (including directors) was as follows:	Number	Number
Full time equivalent		
Production	263	268
Services	87	87
Administration	<u>111</u>	<u>113</u>
	<u>461</u>	<u>468</u>
Average headcount during year	<u>473</u>	<u>480</u>

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

		<u>2020</u>	<u>2019</u>
		£000	£000
6. Dividends			
Ordinary	— 2019 – final paid 42.19p (2018 : 43.46p) per share	435	448
	— 2020 – interim paid Nil (2019 : 15.43p) per share	—	159
		<u>435</u>	<u>607</u>

7. Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income.

	<u>2020</u>	<u>2019</u>
	£000	£000
Current Tax		
Current tax on income for the period	554	437
Adjustments in respect of prior periods	<u>66</u>	<u>8</u>
Total current tax	620	445
Deferred Tax see note 14		
Origination and reversal of timings difference	2	(86)
Adjustments in respect of prior periods	<u>(79)</u>	<u>(1)</u>
Total deferred tax	(77)	(87)
Total Tax in the profit and loss account	<u>543</u>	<u>358</u>

	<u>2020</u>			<u>2019</u>		
	£000	£000	£000	£000	£000	£000
	Current	Deferred	Total	Current	Deferred	Total
Recognised in profit and loss account	620	(77)	543	445	(87)	358
Recognised in other comprehensive income	—	(940)	(940)	—	(973)	(973)
Total Tax	<u>620</u>	<u>(1,017)</u>	<u>(397)</u>	<u>445</u>	<u>(1,060)</u>	<u>(615)</u>

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

7. Taxation — continued

Reconciliation of effective tax rate	<u>2020</u> £000	<u>2019</u> £000
Profit for the year	2,706	1,769
Total tax expense	<u>543</u>	<u>358</u>
Profit excluding taxation	3,249	2,127
Tax using the UK corporation tax rate of 19% (2019 19 %)	617	404
Non-deductible expenses	93	76
Tax exempt revenues	(154)	(129)
(Over)/Under provided in previous years	<u>(13)</u>	<u>7</u>
	<u>543</u>	<u>358</u>

Factors that may affect future tax charges

A UK corporation tax rate of 19% (effective from 1st April 2020) was substantively enacted on 7th March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31st May 2020 has been calculated at 19% (2019: 17%).

8. Holding company profit

	<u>2020</u> £000	<u>2019</u> £000
Company profit for the financial year	<u>2,687</u>	<u>3,613</u>

The reduced profit in the year is due to lower dividends received from subsidiaries.

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

9. Tangible fixed assets

GROUP	Freehold Land and Buildings £000	Plant & Machinery £000	Total £000	2019 £000
Cost at 1st June 2019	10,346	45,841	56,187	53,937
Additions	356	2,510	2,866	2,641
	10,702	48,351	59,053	56,578
Disposals	—	(713)	(713)	(391)
Cost at 31st May 2020	10,702	47,638	58,340	56,187
Depreciation at 1st June 2019	3,976	35,265	39,241	36,206
Charge for year	461	2,882	3,343	3,420
	4,437	38,147	42,584	39,626
Disposals	—	(696)	(696)	(385)
Depreciation at 31st May 2020	4,437	37,451	41,888	39,241
Book value at 31st May 2020	6,265	10,187	16,452	16,946
Book value at 31st May 2019	6,370	10,576	16,946	
COMPANY	Freehold Land and Buildings £000	Plant & Machinery £000	Total £000	2019 £000
Cost at 1st June 2019	10,341	—	10,341	8,824
Additions	356	—	356	1,522
	10,697	—	10,697	10,346
Disposals	—	—	—	(5)
Cost at 31st May 2020	10,697	—	10,697	10,341
Depreciation at 1st June 2019	3,971	—	3,971	3,591
Charge for year	461	—	461	385
	4,432	—	4,432	3,976
Disposals	—	—	—	(5)
Depreciation at 31st May 2020	4,432	—	4,432	3,971
Book value at 31st May 2020	6,265	—	6,265	6,370
Book value at 31st May 2019	6,370	—	6,370	

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — *continued*

10. Investments

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Investments in subsidiaries	—	2,496	—	2,496

Investments in subsidiaries are shown at cost.

The trading subsidiaries, which are all 100% owned and are registered in England and Wales are:

Heathcoat Fabrics Limited (*Textile Manufacturer*)

Heathcoat Property Management Company Limited (Property Management and inter-company Vehicle Lessor)

Exeleigh Residual Products Limited (Property Management)

	2020		2019	
	Net Assets £000	Profit £000	Net Assets £000	Profit £000
Heathcoat Fabrics Limited	25,197	3,013	25,185	2,939
Heathcoat Property Management Company Limited	328	17	312	18
Exeleigh Residual Products Limited	4	(12)	16	—

The dormant subsidiaries, which are all 100% owned and registered in England and Wales are:

Small and Tidmas Limited

Sondavale Limited

John Heathcoat Trustee Company Limited

Richard Hayward and Company Limited

Pak Textiles Limited

Heathcoat Yarns and Fibres Limited

All subsidiaries have their registered office at Westexe, Tiverton, Devon EX16 5LL.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

11. Stocks	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Raw materials	4,335	—	5,245	—
Work in progress	2,042	—	2,265	—
Finished goods	7,277	—	6,925	—
	<u>13,654</u>	<u>—</u>	<u>14,435</u>	<u>—</u>

12. Debtors	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	9,224	—	11,284	—
Amounts owed by Group undertakings	—	6,400	—	7,272
Other debtors	238	225	276	211
Prepayments and accrued income	254	—	216	—
	<u>9,716</u>	<u>6,625</u>	<u>11,776</u>	<u>7,483</u>

Amounts owed by Group undertakings are repayable on demand and interest free.

13. Creditors	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due within one year:				
Trade creditors	4,718	—	6,654	—
Amounts owed to Group undertakings	—	347	—	359
Corporation tax	301	—	253	—
Other taxation and social security	679	—	823	—
Other creditors	121	—	144	—
Accruals and deferred income	1,579	87	1,331	83
	<u>7,398</u>	<u>434</u>	<u>9,205</u>	<u>442</u>

Amounts owed to Group undertakings are repayable on demand and interest free.

The group's principal banker has a right to set off overdrafts against deposits held with it.

Amounts falling due after more than one year:

3½% cumulative preference shares of £1 each	<u>275</u>	<u>275</u>	<u>275</u>	<u>275</u>
	<u>275</u>	<u>275</u>	<u>275</u>	<u>275</u>

The preference shares carry no voting rights and rank above ordinary shares for dividends and on return of assets.

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — *continued*

14. Deferred tax

Deferred taxation has been provided in these financial statements on the amounts by which capital allowances for corporation tax have been claimed differ from depreciation charged in the profit and loss.

Group	<u>2020</u>	<u>2019</u>
	£000	£000
At 1st June liability	97	56
Adjustments in respect of prior years	(79)	(1)
Deferred tax in the profit and loss account (note 7)	17	42
At 31st May liability	<u>35</u>	<u>97</u>

Deferred tax

Movement on deferred tax on the pension scheme

	<u>2020</u>	<u>2019</u>
	£000	£000
As at 1st June	(2,493)	(1,392)
Deferred tax in other comprehensive income	(940)	(973)
Deferred tax on pension payment in the profit and loss account	114	102
Deferred tax in the profit and loss account	(63)	(230)
At 31st May	<u>(3,382)</u>	<u>(2,493)</u>

Deferred tax comprises:

	<u>2020</u>	<u>2019</u>
	£000	£000
Capital allowances in excess of depreciation	<u>35</u>	<u>97</u>
Deferred tax excluding that relating to pension deficit	35	97
Deferred tax asset on pension deficit	(3,382)	(2,493)
Total deferred tax asset	<u>(3,347)</u>	<u>(2,396)</u>

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — *continued*

15. Pension

a. Defined contribution scheme

The pension cost of the defined contribution scheme, which represents the contributions payable by the group, amounted to £19,493 (2019: £19,466).

At the year end £Nil (2019: £Nil) was owed to the scheme.

b. Group personal pension plan

The group contributes to a group personal pension plan on behalf of employees managed by Aegon PLC and administered by Capita.

Total contributions paid by the group during the year amounted to £720,685 (2019: £706,911).

At the year end £100,953 (2019: £97,227) was owed to Aegon representing contributions for May 2020.

c. Defined benefit scheme

The group's defined benefit scheme was closed to new members and ceased accrual for existing members with effect from 31st May 2006.

The assets of the defined benefit scheme are held in a separate trustee administered fund, and contributions are charged to the profit and loss account so as to spread the costs of pensions over employees' service lives with the group. The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified actuary using the Defined Accrued Benefit method, on the basis of triennial valuations.

The latest actuarial valuation of the scheme was carried out at 31st March 2019. The principal assumptions used were a discount rate of 4.4% per annum and an allowance for increases to pensions in payment equal to 3.3%.

At the date of the latest actuarial valuation the market value of the assets of the scheme was £50,220,000 and the actuarial valuation of these assets represented 95% of the benefits that had accrued to members, after allowing for expected future increase in pensions

During the year the company made contributions of £600,000 (2019: £600,000). Expected contributions for 2021 are £600,000.

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

15. Pension — continued

Basis of valuation

The actuarial valuation of the scheme was updated to 31st May 2020 by an independent qualified actuary using the following major assumptions in accordance with the arrangements of FRS 102.

	31st May 2020 %	31st May 2019 %
Rate of increase in salaries	N/A	N/A
Rate of increase to pension in payment		
In accordance with limited price indexation	2.70	3.10
British Vita membership	3.40	3.70
Post 1988 GMP	1.70	2.00
Pre 1988 GMP	Nil	Nil
Discount rate	1.60	2.30
Deferred Pension revaluation (CPI)	1.80	2.30
Inflation rate	2.70	3.30
Mortality		
Life expectancy of male aged 65 now	86.7	86.7
Life expectancy of male aged 65 in 20 years	87.7	88.1
Life expectancy of female aged 65 now	89.0	88.6
Life expectancy of female aged 65 in 20 years	90.2	90.1
The assets in the scheme were:		
	2020 Value at 31st May £000	2019 Value at 31st May £000
Equities	23,744	25,187
Corporate Bonds	—	—
Government Bonds	13,893	13,429
Diversified growth funds	12,055	11,852
Cash	419	412
Total market value of assets	50,111	50,880
Present value of scheme liabilities	(67,907)	(65,541)
Deficit in scheme	(17,796)	(14,661)
Related deferred tax asset	3,382	2,493
Net pension deficit	(14,414)	(12,168)

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

15. Pension — continued

Expected rate of return on assets

The expected return on fixed interest and index linked assets is based on the average yield on gilts of appropriate duration. For corporate bonds the rate is consistent with the discount rate.

The following amounts have been recognised in the performance statements in the year ended 31st May 2020 under the requirements of FRS 102.

Benefits were built up in the scheme on a final salary basis prior to 31st May 2006, at which time the scheme was closed to future accrual.

Changes in present value of obligation

	<u>2020</u>	<u>2019</u>
	£000	£000
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	65,541	59,583
Interest cost	1,482	1,534
Actuarial (gains)/losses	3,068	5,629
Past service cost	—	1,132
Benefits paid	(2,184)	(2,337)
Closing defined benefit obligation	<u>67,907</u>	<u>65,541</u>

Scheme assets

	<u>2020</u>	<u>2019</u>
	£000	£000
Changes in the present value of scheme assets are as follows		
Opening fair value of scheme assets	50,880	51,396
Interest Income on scheme assets	1,151	1,314
Return on assets, excluding interest income	(336)	(93)
Employer contribution	600	600
Benefits paid	(2,184)	(2,337)
Closing fair value of scheme assets	<u>50,111</u>	<u>50,880</u>

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

15. Pension — continued

Amounts recognised in Profit and Loss Account	2020	2019
	£000	£000
Past service cost – GMP equalisation	—	1,132
Net interest on the defined benefit liability	330	220
	<u>330</u>	<u>1,352</u>
Remeasurements of the net defined benefit liability shown in Other Comprehensive Income	2020	2019
	£000	£000
Actuarial losses/(gains) on the liabilities	3,068	5,629
Return on assets, excluding interest income	336	93
Total remeasurements of the net defined benefit liability shown in Other Comprehensive Income	3,404	5,722

16. Called up share capital	2020	2019
Shares classified as equity		
	Allotted called up fully paid	Allotted called up fully paid
	£	£
'A' Ordinary shares of £1 each	488,157	488,157
'B' Ordinary shares of £1 each	488,157	488,157
'C' Ordinary shares of £1 each	99,643	99,643
	<u>1,075,957</u>	<u>1,075,957</u>

17. Foreign exchange contract commitments

At the end of the year the group was committed to five (2019: seven) foreign exchange contracts for the sale of Euros at an agreed forward rate of 1.136 (2019: 1.1648) and three foreign exchange contracts (2019: three) for the sale of dollars at an agreed forward rate of 1.2441 (2019: 1.2809).

The value of the outstanding contracts at the year end was £2,418,876 (2019: £4,000,250). There was no significant gain or loss at the year end, and therefore the fair value of these contracts included in the accounts are not materially different to the contract values.

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — *continued*

18. Reconciliation of net cash flow to movement in net funds for the year ended 31st May 2020

	<u>2020</u>	<u>2019</u>
	£000	£000
Increase/(Decrease) in cash in the year	<u>3,519</u>	<u>(528)</u>
Movement in net funds in the year	<u>3,519</u>	<u>(528)</u>
Net cash at 1st June	<u>5,758</u>	<u>6,286</u>
Net cash at 31st May	<u>9,277</u>	<u>5,758</u>

Analysis of changes in net funds

	<u>1st June 2019</u>	<u>Cash flow</u>	<u>31st May 2020</u>
	£000	£000	£000
Cash at bank and in hand	5,758	3,519	9,277

19. Related party transactions

The company has taken advantage of exemptions under FRS 102. Consequently, intra-group transactions are not disclosed.

20. Items affected by the judgement of directors

Directors have exercised their judgement in the allocation of overheads absorbed in the manufacturing process which is included in the valuation of finished stock and work in progress. In addition, judgement is used in setting the level of provisions against aged and obsolescent stock.

The directors also use their judgement in setting the assumptions used in the valuation of pension scheme assets and liabilities.