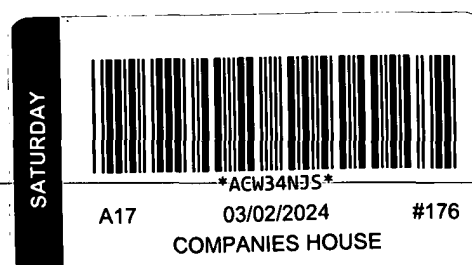


John Heathcoat & Company (Holdings) Limited

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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 the 29th of September 2023 at 12:00 pm 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 2023.
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
C. MOWAT, Company Secretary
21st September 2023

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

John Heathcoat & Company (Holdings) Limited

Directors and Company Information

Directors: R. A. Hardy, (Chair)
C. G. Harvie, (Managing Director, Heathcoat Fabrics Limited)
S. C. Waddington, (Chair, Heathcoat Fabrics Limited)
J. D. Waddington

Company Secretary: C. P. Mowat

Registered Office: John Heathcoat & Company (Holdings) Limited
Westexe
Tiverton
Devon
EX16 5LL

Banker: National Westminster Bank plc
Tiverton
Devon
EX16 6LW

Independent Auditor: PKF Francis Clark
Centenary House
Peninsula Park
Rydon Lane
Exeter
Devon
EX2 7XE

John Heathcoat & Company (Holdings) Limited

Strategic Report

The directors present their strategic report for the year ended 31st May 2023.

Business review

Turnover increased to £73m for the year, the increase most notable from a further expansion in export sales, in particular to the EU. The business has continued its approach of investing heavily in high value research and developmental activities using new technologies. This has resulted in securing a number of sizeable contracts in the year providing innovative textile products for both existing and new customers across aerospace, defence and energy applications. Overall demand remains robust across the majority of our main core markets and this, coupled with pricing adjustments and higher value business wins has ensured we are able to maintain our position of being a strong supplier both operationally and financially as we address the unprecedented cost headwinds across energy, labour and materials affecting all businesses.

During the year, and mindful of the ongoing geopolitical and economic volatility, the Directors maintained tight control over operating costs, whilst investing for future growth through higher stock levels, higher year on year capital investment and introducing further account management, technical and graduate roles across the business. Together with a robust sales performance, this approach has generated an improved operating profit, although noting the associated higher working capital requirement has narrowed the level of operating cash generation in the year.

Subsequent to year end, demand has remained buoyant, and the business has ambitious plans to continue to invest in significant levels of plant, equipment and infrastructure in order to drive efficiencies and increase capacity. Whilst there is some degree of uncertainty in the coming year, the Directors remain confident that the business will continue to profitably grow and that it is therefore appropriate to prepare the financial statements on a going concern basis. Further information is included within the going concern note in the Accounting Policies section of these financial statements.

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 UK's departure from the European Union resulted in embedded increased friction in relation to shipping costs and delays across borders. The Company continues to work to mitigate these impacts as far as possible and is encouraged that sales to the EU form the largest component of the year on year sales increase.

Employee recruitment and retention remains a key area of risk. Management has taken a number of steps to address these including implementing a significant pay award from June 2023, enhancing employee health and wellbeing provisions, introducing an employee referral incentive for new recruits and promoting other benefits such as employee profitshare.

The other key business risks and uncertainties affecting the company are considered to relate to competition and product availability. Management has reduced these risks by adopting a lean manufacturing approach to improve quality and delivery performance and to increase capacity through working pattern revisions and investment in new machinery. The supplier base is also under ongoing review in order to maintain multiple sourcing options. The company continues to utilise its extensive research and development capability in order to remain at the forefront of textile innovation 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. The key stakeholders and how the Directors have duly considered them including key decisions taken are set out below.

| Section 172 Factors | Considerations and Actions |
|---|--|
| Interests of employees | Employees are at the heart of the business. The Directors engage with employees at daily meetings, with regular team briefs reinitiated to ensure all employees are up to date of the latest company performance. Employee representatives attend bi-monthly forum meetings typically with the Managing Director and HR Manager where their feedback, ideas and concerns are discussed and pay negotiations with union and employee representatives are held each year with a Director. To further wellbeing, we have introduced this year a confidential employee counselling service and also 1-2-1 pension awareness sessions. We have also reinstated our graduate and work experience programmes and all employees continue to share directly in company performance through our longstanding profit share arrangement. |
| Fostering business relationships with customers | Our business is organised so as to provide our customers with clear account management to promote regular engagement. We meet regularly with our key customers, and their customers when required, on both a digital and in person basis. We have increased attendance at international trade shows this year e.g. Textextil to further develop both existing and new customer relationships. |
| Fostering business relationships with suppliers | We have a dedicated procurement function which supports the business in its relationships with our suppliers. We are in the process of extending our supplier compliance programme to ensure we collaborate with appropriate partners across the range of direct and indirect supply chain and this year have restarted supplier site visits to support relationships. We encourage our suppliers to align to our standards including our code of ethics and other benchmarks such as Oeko-tex. We endeavour to pay our suppliers in full on time and indeed our published payment performance supports this. |
| 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 have invested in solar technology and more efficient machinery such as compressors in the year. We also promote an employee cycle to work scheme. We maintain regular dialogue with local environmental and other regulators plus other interested parties; our environmental manager sits on the local town council climate change committee. Recognising we are very much part of the local community, we have donated to a number of local charities and other local groups such as youth football and gymnastics clubs and plan to continue to do this. |

John Heathcoat & Company (Holdings) Limited

Strategic Report — *continued*

| | |
|---|---|
| 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. Formal board meetings are held, with all key matters discussed and collective decisions made and recorded appropriately. We elected to terminate our membership of the CBI in the year and have joined UKFT and North Devon Manufacturers Association. |
| 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, including among others a whistleblowing policy. In terms of pension stakeholders, as part of our ongoing defined benefit pension fund governance, we have in the year moved from a Board of Pension Trustees to an independent Sole Pension Trustee arrangement. |

Financial key performance indicators

| <u>Description</u> | 2023 | 2022 |
|--|-------------|-------------|
| | £000 | £000 |
| Turnover | 73,082 | 59,049 |
| Operating Profit on continuing operations | 7,912 | 5,770 |
| Cash inflow (outflow) | (1,005) | (831) |
| | | |
| Operating Profit per full time equivalent employee | 17.7 | 13.3 |
| | | |
| Attendance (excludes planned absence) | 96.9% | 95.4% |



By order of the Board
C. MOWAT, *Company Secretary*
21st September 2023

John Heathcoat & Company (Holdings) Limited

Directors' Report

The directors submit their report and audited consolidated financial statements for the year ended 31st May 2023.

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 £6,688,000 (2022: £4,909,000).

| | 2023 | 2022 |
|--|---------|---------|
| | £ | £ |
| The following interim payments have been made: | | |
| Interim dividends paid — Ordinary shares | 273,630 | 510,028 |
| 27.06p (2022: 50.43p) per share | | |

The directors recommend the following final payments:

| | | |
|--|---------|---------|
| Final dividends proposed — Ordinary shares | 749,220 | 869,980 |
| 74.08p (2022: 86.03p) per share | | |

A preference dividend of £9,625 (2022: £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:-

R. A. Hardy (appointed 1st June 2023)
G. A. Clark (resigned 30th June 2023)
C. G. Harvie
S. C. Waddington
J. D. Waddington

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 64,643 unallocated shares as at 31st May 2023. 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 29. During the year under review the group invested £3,682,000 (2022: £3,492,000) 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 £3,635,000 on property improvements.

John Heathcoat & Company (Holdings) Limited

Directors' Report — continued

Properties are shown in the financial statements at a value of £5,888,000 (2022: £5,621,000) which represents historical cost less accumulated depreciation.

Charitable donations

Charitable donations of £7,999 were made in the year (2022: 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. 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)

Intensity Ratio Performance

| | tCO ₂ e Emitted YTD | | | | Intensity Ratio |
|-----------|--------------------------------|---------|---------|-----------|-----------------|
| | Scope 1 | Scope 2 | Scope 3 | Scope 1+2 | |
| 2022-2023 | 9,245 | 0 | 168 | 9,245 | 12.53 |
| 2021-2022 | 9,888 | 7 | 143 | 9,895 | 16.80 |
| 2020-2021 | 9,918 | 8 | 137 | 9,926 | 16.97 |

Intensity Ratio Used – tCO₂e/£100,000 of turnover

Scope 1 – Emissions made directly e.g., running boilers

Scope 2 – Emissions made indirectly e.g., from purchase of energy to process fabric

Scope 3 – Indirect emissions including offsets from on-site generation

Annual Energy Efficiency Statement

We have achieved an intensity ratio improvement of 25% compared to the previous financial year and 45% compared to the original 2019-2020 year. During 2022-23, we have continued to invest in more energy efficient equipment including dyeing machinery, knitting machines and thermal boilers. The most significant investment this year has been to replace our air compressors with six newer generation more energy efficient compressors. These came online between December and June, so the full benefit is expected to be felt in the next financial year. We continue to develop more efficient processing by optimising machine speeds and wider fabric width production. We have further increased our hybrid company cars from 26% to 36% of the fleet.

John Heathcoat & Company (Holdings) Limited

Directors' Report — *continued*

Scope of Emissions Included in the Report

Electricity, Generated Electricity, Natural Gas, LPG, Direct Diesel, Direct Petrol, Direct Mileage.

Methodology

The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines including Streamlined, Energy and Carbon reporting guidance. Activity data has been converted into carbon emissions using DEFRA published emissions factors.

Exclusions

Nominal energy supply to external tenant of small yard.

Validation

This data has been compiled and validated by EIC Ltd., whose registered office is Monarch House 7-9 Stafford Road, Wallington, Surrey, United Kingdom, SM6 9AN.

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 PKF Francis Clark 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 group's 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
C. MOWAT, *Company Secretary*
21st September 2023

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 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2023, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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 FRS 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 group's and parent company's affairs as at 31 May 2023 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

John Heathcoat & Company (Holdings) Limited

Independent Auditor's Report to the Members of John Heathcoat & Company (Holdings) Limited – *continued*

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities 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, 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 group's 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 the directors either intend to liquidate the group or the parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

As part of our audit planning, we obtained an understanding of the legal and regulatory framework that is applicable to the group. We gained an understanding of the group and the industry in which the group operates as part of this assessment to identify the key laws and regulations affecting the group. The key laws and regulations we identified were health and safety regulations. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as The Companies Act 2006 and relevant tax legislation.

John Heathcoat & Company (Holdings) Limited

Independent Auditor's Report to the Members of John Heathcoat & Company (Holdings) Limited – *continued*

We discussed with management how the compliance with these laws and regulations is monitored and obtained copies of the key policies and procedures in place. We also identified the individuals who have responsibility for ensuring that the group complies with laws and regulations and deals with reporting any issues if they arise. As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the group's ability to continue trading and the risk of material misstatement to the accounts.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

Based on this understanding we designed our audit procedures to identify irregularities. Our procedures involved the following:

- Enquiries to members of management, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
- Review of minutes of meetings of those charged with governance;
- Review of any health and safety incidents which have been reported under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ("RIDDOR") during the period;
- Challenging assumptions and judgements made by management in its significant accounting estimates;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business;
- Testing the recognition of revenue and costs, in particular around the year end date;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Reviewing draft tax computations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

John Heathcoat & Company (Holdings) Limited

Independent Auditor's Report to the Members of John Heathcoat & Company (Holdings) Limited – *continued*

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.

PKF Francis Clark

.....
Glenn Nicol (Senior Statutory Auditor)

For and on behalf of PKF Francis Clark, Statutory Auditor

Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

Date: 21 September 2023
.....

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"). 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, except that financial instruments classified at fair value through profit or loss are stated at fair value.

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 prudent cash flow forecasts for a period of 12 months from the date of approval of these financial statements which confirm that, the group will have sufficient funds to meet its liabilities as they fall due for that period.

The group continued to trade profitably through the year and is projected to trade profitably in the future. Strong financial discipline has continued to be exercised including deferral of non-essential capital investment, close management of stock and working capital levels and strict control of headcount and costs.

The group has no external debt and there have been no material changes to liquidity since the balance sheet date. The Group has a strong balance sheet and ample cash resources, and the Directors do not consider that any external funding will therefore be required.

John Heathcoat & Company (Holdings) Limited

Accounting Policies — *continued*

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.

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.

John Heathcoat & Company (Holdings) Limited

Accounting Policies — *continued*

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.

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, but varies depending on the specific inco terms agreed with each customer. Turnover excludes value added tax and sales between group companies. Where a group company is engaged in long-term contracts that span financial year-ends, and where revenue can be reliably measured, revenues are recognised using the percentage of completion method.

John Heathcoat & Company (Holdings) Limited

Accounting Policies — *continued*

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

Grant income has been recognised in the profit and loss when received and shown under the heading Other Operating Income.

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 2023

| | | <u>2023</u> | <u>2022</u> |
|--|--------------|---------------------|---------------------|
| | <i>Notes</i> | £000 | £000 |
| Turnover on continuing operations | 1 | 73,082 | 59,049 |
| Cost of sales | | <u>(52,655)</u> | <u>(42,701)</u> |
| Gross profit | | 20,427 | 16,348 |
| Other operating expenses | 2 | <u>(12,515)</u> | <u>(10,578)</u> |
| Operating profit before interest | | 7,912 | 5,770 |
| Other operating income | | 9 | 9 |
| Interest receivable and similar income | 3 | 618 | 324 |
| Interest payable and similar charges | 4 | (12) | (13) |
| Other finance charges | 15 | <u>(240)</u> | <u>(198)</u> |
| Profit before taxation | | 8,287 | 5,892 |
| Tax on profit | 7 | <u>(1,599)</u> | <u>(983)</u> |
| Profit for the financial year | | <u><u>6,688</u></u> | <u><u>4,909</u></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 2023

| | | <u>2023</u> | <u>2022</u> |
|--|--------------|---------------------|---------------------|
| | <i>Notes</i> | £000 | £000 |
| Profit for the financial year | | 6,688 | 4,909 |
| Other Comprehensive income | | | |
| Re-measurement of net defined benefit liability | 15 | 346 | 2,723 |
| Income tax on other comprehensive income | | (87) | (71) |
| Other comprehensive income for the year, net of income tax | | <u>259</u> | <u>2,652</u> |
| Total comprehensive income for the year | | <u><u>6,947</u></u> | <u><u>7,561</u></u> |

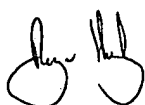
John Heathcoat & Company (Holdings) Limited

Group and parent company balance sheets as at 31st May 2023

| | | Group | | Company | |
|--|-------|---------------|---------------|---------------|---------------|
| | Notes | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Tangible assets | 9 | 14,776 | 14,767 | 5,888 | 5,621 |
| Investments | 10 | — | — | 2,496 | 2,496 |
| | | <u>14,776</u> | <u>14,767</u> | <u>8,384</u> | <u>8,117</u> |
| Current assets | | | | | |
| Stocks | 11 | 20,219 | 15,308 | — | — |
| Debtors | 12 | 16,612 | 10,940 | 6,742 | 4,836 |
| Cash at bank and in hand | 18 | 17,347 | 18,352 | 11,119 | 8,320 |
| | | <u>54,178</u> | <u>44,600</u> | <u>17,861</u> | <u>13,156</u> |
| Current liabilities | | | | | |
| Creditors: amounts falling due within one year | 13 | (13,155) | (9,660) | (712) | (536) |
| Net current assets | | <u>41,023</u> | <u>34,940</u> | <u>17,149</u> | <u>12,620</u> |
| Total assets less current liabilities | | 55,799 | 49,707 | 25,533 | 20,737 |
| Creditors – amounts falling due after more than one year | 13 | (275) | (275) | (275) | (275) |
| Provisions for Liabilities – Deferred Tax | 14 | (519) | (218) | — | — |
| Net assets excluding pension deficit | | <u>55,005</u> | <u>49,214</u> | <u>25,258</u> | <u>20,462</u> |
| Net pension deficit | 15 | (5,205) | (5,284) | (5,205) | (5,284) |
| Net assets including pension deficit | | <u>49,800</u> | <u>43,930</u> | <u>20,053</u> | <u>15,178</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | 1,076 | 1,076 | 1,076 | 1,076 |
| Other reserves | | 2,777 | 2,842 | 885 | 949 |
| Profit and loss account | | 45,947 | 40,012 | 18,092 | 13,153 |
| Total shareholders' funds | | <u>49,800</u> | <u>43,930</u> | <u>20,053</u> | <u>15,178</u> |

The company made a profit after tax for the financial year of £5,693,000 (2022: £3,701,000).

The financial statements on pages 15-37 were approved by the Board on 21st September 2023 and signed on its behalf by;



R. A. HARDY

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 2022 | Called up Share capital | Capital reserve | Capital redemption reserve | Own share reserve | Profit and loss account | Total equity |
|---|--|----------------------------|---|------------------------------|--|-------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1st June 2021 | 1,076 | 1,893 | 949 | 0 | 33,562 | 37,480 |
| Total comprehensive income for the period: | | | | | | |
| Profit for the financial year | — | — | — | — | 4,909 | 4,909 |
| Other comprehensive income | — | — | — | — | 2,652 | 2,652 |
| Total comprehensive income for the period | — | — | — | — | 7,561 | 7,561 |
| Transactions with owners, recorded directly in equity: | | | | | | |
| Dividends | — | — | — | — | (1,111) | (1,111) |
| Total contributions by and distributions to owners | — | — | — | — | (1,111) | (1,111) |
| Balance at 31st May 2022 | 1,076 | 1,893 | 949 | 0 | 40,012 | 43,930 |
| Year Ended 31st May 2023 | Called up Share capital | Capital reserve | Capital redemption reserve | Own share reserve | Profit and loss account | Total equity |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1st June 2022 | 1,076 | 1,893 | 949 | 0 | 40,012 | 43,930 |
| Total comprehensive income for the period: | | | | | | |
| Profit for the financial year | — | — | — | — | 6,688 | 6,688 |
| Other comprehensive income | — | — | — | — | 259 | 259 |
| Total comprehensive income for the period | — | — | — | — | 6,947 | 6,947 |
| Transactions with owners, recorded directly in equity: | | | | | | |
| Dividends | — | — | — | — | (1,144) | (1,144) |
| Total contributions by and distributions to owners | — | — | — | — | (1,144) | (1,144) |
| Own share transactions | — | — | — | (65) | 132 | 67 |
| Balance at 31st May 2023 | 1,076 | 1,893 | 949 | (65) | 45,947 | 49,800 |

John Heathcoat & Company (Holdings) Limited

Company Statement of Changes in Equity

| Year Ended 31st May 2022 | Called up Share capital | Capital redemption reserve | Own share reserve | Profit and loss account | Total equity |
|---|-------------------------------|----------------------------------|----------------------|-------------------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1st June 2021 | 1,076 | 949 | — | 7,911 | 9,936 |
| Total comprehensive income for the period: | | | | | |
| Profit for the financial year | — | — | — | 3,701 | 3,701 |
| Other comprehensive income | — | — | — | 2,652 | 2,652 |
| Total comprehensive income for the period | — | — | — | 6,353 | 6,353 |
| Transactions with owners, recorded directly in equity: | | | | | |
| Dividends | — | — | — | (1,111) | (1,111) |
| Total contributions by and distributions to owners | — | — | — | (1,111) | (1,111) |
| Balance at 31st May 2022 | 1,076 | 949 | — | 13,153 | 15,178 |
| Year Ended 31st May 2023 | Called up Share Capital | Capital redemption reserve | Own share reserve | Profit and loss account | Total equity |
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1st June 2022 | 1,076 | 949 | — | 13,153 | 15,178 |
| Total comprehensive income for the period | | | | | |
| Profit for the financial year | — | — | — | 5,693 | 5,693 |
| Other comprehensive income | — | — | — | 259 | 259 |
| Total comprehensive income for the period | — | — | — | 5,952 | 5,952 |
| Transactions with owners, recorded directly in equity: | | | | | |
| Dividends | — | — | — | (1,144) | (1,144) |
| Total contributions by and distributions to owners | — | — | — | (1,144) | (1,144) |
| Own share transactions | — | — | (65) | 132 | 67 |
| Balance at 31st May 2023 | 1,076 | 949 | (65) | 18,093 | 20,053 |

John Heathcoat & Company (Holdings) Limited

Consolidated Cash Flow Statement for the Year Ended 31st May 2023

| | Notes | 2023 £000 | 2022 £000 |
|--|-----------------|----------------|---------------|
| Cash Flows from operating activities | | | |
| Profit for the year | | 6,688 | 4,909 |
| Depreciation of tangible fixed assets | 9 | 3,572 | 3,661 |
| Interest receivable and similar income | 3 | (618) | (324) |
| Foreign exchange gains | 3 | 380 | 282 |
| Interest payable and similar charges | 4 | 12 | 13 |
| Other finance charges | 15 | 240 | 198 |
| (Profit)/Loss on disposal of fixed assets | 1 | (88) | 17 |
| Taxation | 7 | 1,599 | 983 |
| Payment to the Defined Benefit Pension Scheme | 15 | — | (600) |
| | | <u>11,785</u> | <u>9,139</u> |
| Decrease / (Increase) in stocks | 11 (4,911) | (4,261) | |
| (Increase) / Decrease in trade and other debtors | 12 (5,672) | 501 | |
| Increase / (Decrease) in trade and other creditors | 13 <u>3,002</u> | <u>(780)</u> | |
| (Increase) / Decrease in working capital | | (7,581) | (4,540) |
| U.K. Corporation tax paid | | <u>(865)</u> | <u>(870)</u> |
| Net Cash from operating activities | | <u>3,339</u> | <u>3,729</u> |
| Cash Flows from investing activities | | | |
| Purchase of tangible fixed assets | 9 (3,682) | (3,492) | |
| Sale of tangible fixed assets | 9 189 | 14 | |
| Interest received | 3 203 | 11 | |
| Rent received | 3 <u>35</u> | <u>31</u> | |
| Net Cash from investing activities | | (3,255) | (3,436) |
| Cash Flows from financing activities | | | |
| Equity dividends paid | 6 (1,144) | (1,111) | |
| Interest paid | 4 (2) | (3) | |
| Surplus on purchase of own shares | | 67 | — |
| Preference dividends | 4 <u>(10)</u> | <u>(10)</u> | |
| | | (1,089) | (1,124) |
| Increase / (Decrease) in cash | | <u>(1,005)</u> | <u>(831)</u> |
| Cash at bank and in hand at 31st May 2022 | 18 | <u>18,352</u> | <u>19,183</u> |
| Cash at bank and in hand at 31st May 2023 | 18 | <u>17,347</u> | <u>18,352</u> |

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements

| | <u>2023</u> £000 | <u>2022</u> £000 |
|---|---------------------|---------------------|
| 1. Turnover and profit on ordinary activities before taxation | | |
| Turnover by geographical area | | |
| UK | 22,928 | 19,915 |
| EU | 35,176 | 25,102 |
| Rest of the world | <u>14,978</u> | <u>14,032</u> |
| | <u>73,082</u> | <u>59,049</u> |
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation on owned assets | 3,572 | 3,661 |
| (Profit) / Loss on sale of fixed assets | (88) | 17 |
| Hire of plant and equipment | 23 | 17 |
| Fees payable to the company's auditors for the audit of the company's annual financial statements | 4 | 4 |
| Fees payable to the company's auditors for other services: | | |
| Audit of the company's subsidiaries pursuant to legislation | 39 | 39 |
| Other services | — | — |
| 2. Other operating expenses | | |
| Distribution costs | 6,131 | 5,010 |
| Administrative expenses | <u>6,384</u> | <u>5,568</u> |
| | <u>12,515</u> | <u>10,578</u> |
| 3. Interest receivable and similar income | | |
| Rents receivable | 35 | 31 |
| Net foreign exchange gain | 380 | 282 |
| Interest receivable | <u>203</u> | <u>11</u> |
| | <u>618</u> | <u>324</u> |
| 4. Interest payable and similar charges | | |
| On bank overdrafts | 2 | 3 |
| On preference shares (3.5p per £1 share) | <u>10</u> | <u>10</u> |
| | <u>12</u> | <u>13</u> |

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

| | <u>2023</u> £000 | <u>2022</u> £000 |
|---|---------------------|---------------------|
| 5. Directors and Staff costs | | |
| Directors | | |
| Aggregate emoluments | <u>470</u> | <u>450</u> |
| Directors' emoluments to the value of £351,807 (2022: £332,485) and pension contributions of £20,666 (2022: £23,503) in respect of 2 directors (2022: 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 £93,732 (2022: £93,892) relate to services to the holding company. | | |
| The number of directors accruing benefits under money purchase schemes was 2 (2022: 2). | | |
| Highest paid director | <u>299</u> | <u>283</u> |
| | <u>2023</u> £000 | <u>2022</u> £000 |
| Staff costs: | | |
| Wages and salaries | 16,712 | 14,565 |
| Social security costs | 1,769 | 1,512 |
| Other pension costs (note 15) | <u>825</u> | <u>749</u> |
| | <u>19,306</u> | <u>16,826</u> |
| The monthly average number of persons employed by the group (including directors) was as follows: | | |
| | Number | Number |
| Full time equivalent | | |
| Production | 259 | 251 |
| Services | 88 | 87 |
| Administration | <u>101</u> | <u>97</u> |
| | <u>448</u> | <u>435</u> |
| Average headcount during year | <u>474</u> | <u>454</u> |

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

| | | <u>2023</u> £000 | <u>2022</u> £000 |
|---------------------|---|---------------------|---------------------|
| 6. Dividends | | | |
| Ordinary | — 2022 – final paid 86.03p (2021 : 59.15p) per share | 870 | 601 |
| | — 2023 – interim paid 27.06p (2022 : 19.97) per share | <u>274</u> | <u>510</u> |
| | | <u>1,144</u> | <u>1,111</u> |

7. Taxation

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

| | <u>2023</u> £000 | <u>2022</u> £000 |
|---|---------------------|---------------------|
| Current Tax | | |
| Current tax on income for the period | 1,460 | 672 |
| Adjustments in respect of prior periods | <u>(102)</u> | <u>5</u> |
| Total current tax | 1,358 | 677 |
| Deferred Tax see note 14 | | |
| Origination and reversal of timings difference | 238 | 309 |
| Adjustments in respect of prior periods | <u>3</u> | <u>(3)</u> |
| Total deferred tax | 241 | 306 |
| Total Tax in the profit and loss account | <u>1,599</u> | <u>983</u> |

| | <u>2023</u> £000 | <u>2023</u> £000 | <u>2023</u> £000 | <u>2022</u> £000 | <u>2022</u> £000 | <u>2022</u> £000 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Current | Deferred | Total | Current | Deferred | Total |
| Recognised in profit and loss account | 1,358 | 241 | 1,599 | 677 | 306 | 983 |
| Recognised in other comprehensive income | — | 87 | 87 | — | 71 | 71 |
| Total Tax | <u>1,358</u> | <u>328</u> | <u>1,686</u> | <u>677</u> | <u>377</u> | <u>1,054</u> |

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

7. Taxation — continued

| Reconciliation of effective tax rate | <u>2023</u> £000 | <u>2022</u> £000 |
|---|---------------------|---------------------|
| Profit for the year | 6,688 | 4,909 |
| Total tax expense | <u>1,599</u> | <u>983</u> |
| Profit excluding taxation | 8,287 | 5,892 |
| Tax using the UK corporation tax rate of 25% (2022 19%) | 1,658 | 1,120 |
| Non-deductible expenses | 90 | 94 |
| Tax incentives | (46) | (168) |
| Over /(Under) provided in previous years | (102) | 5 |
| Adjustment to deferred balances | <u>(1)</u> | <u>(68)</u> |
| | <u>1,599</u> | <u>983</u> |

8. Holding company profit

| | <u>2023</u> £000 | <u>2022</u> £000 |
|---------------------------------------|---------------------|---------------------|
| Company profit for the financial year | <u>5,693</u> | <u>3,701</u> |

The increased profit in the year is due to higher dividends from subsidiaries and interest received.

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 | 2022 £000 |
|-------------------------------|---|------------------------------|---------------|--------------|
| Cost at 1st June 2022 | 11,019 | 50,251 | 61,270 | 59,954 |
| Additions | 758 | 2,924 | 3,682 | 3,492 |
| | 11,777 | 53,175 | 64,952 | 63,446 |
| Disposals | — | (2,773) | (2,773) | (2,176) |
| Cost at 31st May 2023 | 11,777 | 50,402 | 62,179 | 61,270 |
| Depreciation at 1st June 2022 | 5,398 | 41,106 | 46,504 | 44,987 |
| Charge for year | 491 | 3,081 | 3,572 | 3,661 |
| | 5,889 | 44,187 | 50,076 | 48,648 |
| Disposals | — | (2,673) | (2,673) | (2,144) |
| Depreciation at 31st May 2023 | 5,889 | 41,514 | 47,403 | 46,504 |
| Book value at 31st May 2023 | 5,888 | 8,888 | 14,776 | 14,767 |
| Book value at 31st May 2022 | 5,621 | 9,146 | 14,767 | |

| COMPANY | Freehold Land and Buildings £000 | Plant & Machinery £000 | Total £000 | 2022 £000 |
|-------------------------------|---|------------------------------|---------------|--------------|
| Cost at 1st June 2022 | 11,019 | — | 11,019 | 10,793 |
| Additions | 758 | — | 758 | 226 |
| | 11,777 | — | 11,777 | 11,019 |
| Disposals | — | — | — | — |
| Cost at 31st May 2023 | 11,777 | — | 11,777 | 11,019 |
| Depreciation at 1st June 2022 | 5,398 | — | 5,398 | 4,915 |
| Charge for year | 491 | — | 491 | 483 |
| | 5,889 | — | 5,889 | 5,398 |
| Disposals | — | — | — | — |
| Depreciation at 31st May 2023 | 5,889 | — | 5,889 | 5,398 |
| Book value at 31st May 2023 | 5,888 | — | 5,888 | 5,621 |
| Book value at 31st May 2022 | 5,621 | — | 5,621 | |

The Plant & Machinery Cost and Accumulated depreciation balances at 1st June 2022 have each been increased by £501,500 in order to correct an historical understatement. There is no impact to the net book value.

Capital commitments as at 31st May 2023 totalled £1,423,600, principally for new machinery.

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

10. Investments

| | 2023 | | 2022 | |
|-----------------------------|---------------|-----------------|---------------|-----------------|
| | 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)

| | 2023 | | 2022 | |
|---|--------------------|----------------|--------------------|----------------|
| | Net Assets £000 | Profit £000 | Net Assets £000 | Profit £000 |
| Heathcoat Fabrics Limited | 31,622 | 7,021 | 30,601 | 5,206 |
| Heathcoat Property Management Company Limited | 397 | 26 | 371 | 26 |
| Exeleigh Residual Products Limited | (123) | (52) | (71) | (23) |

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

| | 2023 | | 2022 | |
|------------------|---------------|-----------------|---------------|-----------------|
| | Group £000 | Company £000 | Group £000 | Company £000 |
| Raw materials | 7,868 | — | 7,045 | — |
| Work in progress | 3,320 | — | 2,768 | — |
| Finished goods | 9,031 | — | 5,495 | — |
| | <u>20,219</u> | <u>—</u> | <u>15,308</u> | <u>—</u> |

There are no material differences between the carrying value of stocks and their net replacement costs. Suitable levels of provision are made for obsolescence.

12. Debtors

| | 2023 | | 2022 | |
|------------------------------------|---------------|-----------------|---------------|-----------------|
| | Group £000 | Company £000 | Group £000 | Company £000 |
| Trade debtors | 15,748 | — | 10,437 | — |
| Amounts owed by Group undertakings | — | 6,449 | — | 4,620 |
| Other debtors | 338 | 293 | 220 | 216 |
| Prepayments and accrued income | 526 | — | 283 | — |
| | <u>16,612</u> | <u>6,742</u> | <u>10,940</u> | <u>4,836</u> |

13. Creditors

| | 2023 | | 2022 | |
|--------------------------------------|---------------|-----------------|---------------|-----------------|
| | Group £000 | Company £000 | Group £000 | Company £000 |
| Amounts falling due within one year: | | | | |
| Trade creditors | 8,411 | — | 5,883 | — |
| Amounts owed to Group undertakings | — | 343 | — | 343 |
| Corporation tax | 887 | — | 394 | — |
| Other taxation and social security | 909 | 22 | 939 | — |
| Other creditors | 419 | — | 413 | — |
| Accruals and deferred income | 2,529 | 347 | 2,031 | 193 |
| | <u>13,155</u> | <u>712</u> | <u>9,660</u> | <u>536</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>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| | £000 | £000 |
| At 1st June liability | 218 | 13 |
| Adjustments in respect of prior years | — | (3) |
| Deferred tax in the profit and loss account (note 7) | 301 | 208 |
| At 31st May liability | <u>519</u> | <u>218</u> |

Deferred tax

Movement on deferred tax on the pension scheme

| | | |
|--|--------------------|--------------------|
| | <u>2023</u> | <u>2022</u> |
| | £000 | £000 |
| As at 1st June | (1,762) | (1,933) |
| Deferred tax in other comprehensive income | 87 | 71 |
| Deferred tax on pension payment in the profit and loss account | — | 150 |
| Deferred tax in the profit and loss account | (60) | (50) |
| At 31st May | <u>(1,735)</u> | <u>(1,762)</u> |

Deferred tax comprises:

| | | |
|---|--------------------|--------------------|
| | <u>2023</u> | <u>2022</u> |
| | £000 | £000 |
| Capital allowances in excess of depreciation | <u>519</u> | <u>218</u> |
| Deferred tax excluding that relating to pension deficit | 519 | 218 |
| Deferred tax asset on pension deficit | <u>(1,735)</u> | <u>(1,762)</u> |
| Total deferred tax asset | <u>(1,216)</u> | <u>(1,544)</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 £20,666 (2022: £19,082).

At the year end £Nil (2022: £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 £803,188 (2022: £730,898).

At the year end £137,584 (2022: £110,365) was owed to Aegon representing contributions for May 2023.

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 2022. The principal assumptions used were a short term discount rate of 2.9% per annum and an allowance for increases to pensions in payment (in excess of guaranteed minimum pension and accrued before 6 April 2005) of 2.5% per annum.

At the date of the latest actuarial valuation the market value of the assets of the scheme was £52,918,000 and the actuarial valuation of these assets represented 93% of the benefits that had accrued to members, after allowing for expected future increase in pensions.

During the year the company made no contributions (2022: £600,000). Under the new Schedule of Contributions that has been put in place as part of the recent actuarial valuation as at 31 March 2022, the first contribution of £600,000 has been made in June 2023.

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 2023 by an independent qualified actuary using the following major assumptions in accordance with the arrangements of FRS 102.

| | 31st May 2023 | 31st May 2022 |
|---|---------------|---------------|
| | % | % |
| Rate of increase in salaries | N/A | N/A |
| Rate of increase to pension in payment | | |
| In accordance with limited price indexation | 3.00 | 3.30 |
| British Vita membership | 3.60 | 3.70 |
| Post 1988 GMP | 2.20 | 2.30 |
| Pre 1988 GMP | Nil | Nil |
| Discount rate | 5.30 | 3.40 |
| Deferred Pension revaluation (CPI) | 2.40 | 2.70 |
| Inflation rate | 3.10 | 3.40 |
| Mortality | | |
| Life expectancy of male aged 65 now | 86.4 | 86.2 |
| Life expectancy of male aged 65 in 20 years | 87.3 | 87.1 |
| Life expectancy of female aged 65 now | 88.7 | 88.7 |
| Life expectancy of female aged 65 in 20 years | 89.8 | 89.8 |
| The assets in the scheme were: | | |
| | 2023 | 2022 |
| | Value at | Value at |
| | 31st May | 31st May |
| | £000 | £000 |
| Equities | — | — |
| Government Bonds | — | — |
| Diversified growth funds | 28,512 | 42,621 |
| Liability Driven Investment | 6,560 | 3,154 |
| Property | 1,509 | 2,316 |
| Cash | 331 | 744 |
| Total market value of assets | 36,912 | 48,835 |
| Present value of scheme liabilities | (43,852) | (55,881) |
| Deficit in scheme | (6,940) | (7,046) |
| Related deferred tax asset | (1,735) | 1,762 |
| Net pension deficit | (5,205) | (5,284) |

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

15. Pension — continued

CPI and RPI Inflation

Further to the previous consultation and change in the RPI computation from 2030, the estimate of the gap between CPI and RPI has been calculated consistently with last year assuming a delta between the two measures of 1% prior to 2030 and 0% thereafter. The resultant CPI RPI net gap therefore stands at 0.7% (0.7% gap at 2022).

Mortality rates

The assumptions for mortality rates have been updated, reflecting an increase in life expectancies as per the latest 2022 valuation assumptions, and to compensate for an understatement identified by the CMI in its published mortality tables. This has resulted in a modest uplift in the assumption for male life expectancy by 0.2 years as at May 2023.

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 2023 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>2023</u> | <u>2022</u> |
|---|---------------|---------------|
| | £000 | £000 |
| Changes in the present value of the defined benefit obligation are as follows | | |
| Opening defined benefit obligation | 55,881 | 65,418 |
| Interest cost | 1,859 | 1,285 |
| Actuarial (gains)/losses | (11,433) | (8,425) |
| Benefits paid | (2,455) | (2,397) |
| Closing defined benefit obligation | <u>43,852</u> | <u>55,881</u> |

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — continued

15. Pension — continued

Scheme assets

| | <u>2023</u> | <u>2022</u> |
|--|---------------|---------------|
| | £000 | £000 |
| Changes in the present value of scheme assets are as follows | | |
| Opening fair value of scheme assets | 48,835 | 55,247 |
| Interest Income on scheme assets | 1,619 | 1,087 |
| Return on assets, excluding interest income | (11,087) | (5,702) |
| Employer contribution | — | 600 |
| Benefits paid | (2,455) | (2,397) |
| Closing fair value of scheme assets | <u>36,912</u> | <u>48,835</u> |

Amounts recognised in Profit and Loss Account

| | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| | £000 | £000 |
| Net interest on the defined benefit liability | 240 | 198 |
| | <u>240</u> | <u>198</u> |

Remeasurements of the net defined benefit liability shown in Other Comprehensive Income

| | <u>2023</u> | <u>2022</u> |
|--|--------------|----------------|
| | £000 | £000 |
| Actuarial (gains)/losses on the liabilities | (11,433) | (8,425) |
| Return on assets, excluding interest income | 11,087 | 5,702 |
| Total remeasurements of the net defined benefit liability shown in Other Comprehensive Income | <u>(346)</u> | <u>(2,723)</u> |

16. Called up share capital

Shares classified as equity

| | 2023 | 2022 |
|--------------------------------|-------------------------------|-------------------------------|
| | 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> |

John Heathcoat & Company (Holdings) Limited

Notes to the Financial statements — *continued*

17. Foreign exchange contract commitments

At the end of the year the group was committed to seven (2022: eight) foreign exchange contracts for the sale of Euros at an agreed forward rate of 1.1282 (2022: 1.1831) and four (2022: five) foreign exchange contracts for the sale of dollars at an agreed forward rate of 1.2524 (2022: 1.2685).

The value of the outstanding contracts at the year end was £2,718,866 (2022: £2,063,550). 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.

18. Reconciliation of net cash flow to movement in net funds for the year ended 31st May 2023

| | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| | £000 | £000 |
| Increase/(decrease) in cash in the year | (1,005) | (831) |
| Movement in net funds in the year | (1,005) | (831) |
| Net cash at 1st June | 18,352 | 19,183 |
| Net cash at 31st May | 17,347 | 18,352 |

Analysis of changes in net funds

| | <u>1st June 2022</u> | <u>Cash flow</u> | <u>31st May 2023</u> |
|--------------------------|----------------------|------------------|----------------------|
| | £000 | £000 | £000 |
| Cash at bank and in hand | 18,352 | (1,005) | 17,347 |

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. A breakdown of stock is set out in note 11.

The directors also use their judgement in setting the assumptions used in the valuation of pension scheme assets and liabilities, as set out in note 15.