

Company Registration No. 00202442 (England and Wales)

J H LAVENDER (HOLDINGS) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2017



J H LAVENDER (HOLDINGS) LTD

COMPANY INFORMATION

Directors	Mr A J Rose Mr J M Warner Mr I M Timings
Secretary	Mr A V Taylor
Company number	00202442
Registered office	Hall Green Works Crankhall Lane West Bromwich West Midlands B71 3JZ
Auditor	Baldwins Audit Services Limited Churchill House 59 Lichfield Street Walsall West Midlands WS4 2BX

J H LAVENDER (HOLDINGS) LTD

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J H LAVENDER (HOLDINGS) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

The directors present the strategic report for the year ended 31 October 2017.

Fair review of the business

Year End Position as at 31st October 2017

The overall group sales of £8,362,826 in 2017, were at a similar level to 2016 when sales achieved stood at £8,569,138. With the continued uncertainty caused by the on-going Brexit negotiations and the close links this has with interest rates and currency fluctuations, activity in the engineering industry as a whole has been fairly subdued.

Gross margins have been under pressure during the year due to increases in energy costs and with sterling continuing to reduce in value to the euro. This has resulted in increases in costs for brought in parts sourced from nominated suppliers in Europe. Therefore the 2017 gross margin has reduced to 18.73%, from 20.52% in 2016. However, this is still higher than the gross margin in 2015 which was 17.03%, showing that the previous improvements in productivity methods and investment in machinery are still being benefited from.

During 2017, the aim of the Board was focused very much on re-aligning the layout of the group to enable it to remain competitive in the years to come. A brand new bespoke building to house its CNC machining operations has been undertaken and this has enabled the re-location of its off-site tool making facility, so all operations are under one roof, on the same site. In addition, there has been continued investment in new CNC machinery. Total capital expenditure in 2017 amounted to £530,300 and the costs of financing this, along with the re-location costs have all been absorbed within the year. The long-term view is that these layout improvements will improve workflow and the efficiency of operations overall.

Despite these increases in the cost base, the group still generated a profit before tax of £261,282 (3.12%), which has reduced from £495,924 (5.79%) in 2016. This has resulted in Shareholders' funds increasing some 4.5% from £3,973,295 in 2016 to £4,151,759 in 2017.

During 2017 the group celebrated its centenary trading year and was also awarded the prestigious JLRQ quality accreditation. Both these events will further underpin the group's already solid foundation which will support our continued growth and expansion into our 101st year of manufacturing and beyond.

Principal risks and uncertainties

Price Risk

The price of aluminium over the last 12 months has increased steadily. There is uncertainty in the future cost of aluminium, however this is mitigated by agreements that allows the group to pass on any movements in price to the customer.

Interest Rate Risk

The groups invoice discounting facility is linked to the Bank of England base rate and although it has been stable at historic lows for several years now, the inevitable rise in rates in coming years, will expose the group to an element of interest rate risk.

Economy Risk

As was seen in 2009, an economic downturn within the UK and the rest of Europe can severely impact on the trading ability of the group.

J H LAVENDER (HOLDINGS) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

Key performance indicators

Analysis using key performance indicators:

Profit ratio

Pre-tax profit margin 3.12% (2016: 5.79%)

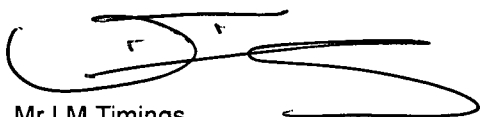
Liquidity ratio

Current ratio 0.88 (2016: 0.96)

Capital ratio

Interest cover 4.70 (2016: 9.06)

On behalf of the board



Mr I M Timings

Director

26 March 2018

J H LAVENDER (HOLDINGS) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

The directors present their annual report and financial statements for the year ended 31 October 2017.

Principal activities

The principal activity of the group continued to be that of aluminium pressure and gravity diecasters and machinists.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr A J Rose

Mr J M Warner

Mr I M Timings

Results and dividends

The consolidated profit and loss account for the year is set out on page 8.

The dividend paid in the year was in respect of the year ended 31 October 2016 and was paid in April 2017.

Research and development

The group incurs on-going expenditure in various areas of research and development. A complete tooling design and manufacturing service is offered, utilising our extensive engineering experience. The Technical and Quality staff are involved with assisting customers from the inception of their design right through to the manufacture of production parts. Input, advice and feedback from sampling procedures all assist the product engineers with making sure the final product is as per specification and fit for purpose.

The same resources are also applied to achieve optimum manufacturing and quality standards for existing parts. Frequent design modifications to components are undertaken along with modifications to improve both quality and the casting process itself. The development of production techniques are refined and modified accordingly to ensure all objectives are met.

The Board of Directors view this item of expenditure as essential in developing customer relations and in ensuring that the casting process is as efficient and robust as possible, to maintain quality of product for the customer and to maintain margins for the group itself.

J H LAVENDER (HOLDINGS) LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

Future developments

Coupled with Brexit related issues, the industry is now being affected by the planned demise of the petrol and diesel combustion engine. This is having a direct impact on sales in 2018, as this added uncertainty is resulting in a significant reduction in demand for motor vehicles.

The Directors have therefore instigated a sales strategy to diversify away from components for the passenger car combustion engine. To date this has been successful with contracts being secured for the supply of components into the electrification market. The projects are very much in their infancy in 2018, but it is hoped that as electric powered vehicles become more popular over the coming years, the group will benefit from increased demand for these types of components.

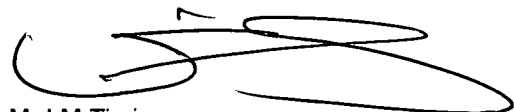
The completion of the new machining facility is due by the end of the second quarter 2018. This brand new bespoke facility will be dedicated to the machining and assembly of high integrity parts primarily for the automotive market. The new facility will provide additional capacity to allow us to expand our operations with both existing and new customers alike.

"We have everything the automotive industry needs, skills, quality systems, engineering expertise, technical support and the facilities to back it all up. Subsequently we believe the future will bring a number of exciting opportunities our way."

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



Mr I M Timings

Director

26 March 2018

J H LAVENDER (HOLDINGS) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2017

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

J H LAVENDER (HOLDINGS) LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF J H LAVENDER (HOLDINGS) LTD

We have audited the group and parent company financial statements (the "financial statements") of J H Lavender (Holdings) Ltd for the year ended 31 October 2017 set out on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2017 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

J H LAVENDER (HOLDINGS) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF J H LAVENDER (HOLDINGS) LTD

Matters on which we are required to report by exception

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 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.

Mr David James Baldwin FCCA (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services Limited

26 March 2018

Chartered Accountants
Statutory Auditor

Churchill House
59 Lichfield Street
Walsall
West Midlands
WS4 2BX

J H LAVENDER (HOLDINGS) LTD

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £	2016 £
Turnover	3	8,362,826	8,569,138
Cost of sales		(6,796,804)	(6,810,434)
Gross profit		1,566,022	1,758,704
Administrative expenses		(1,292,904)	(1,253,472)
Other operating income		57,208	52,158
Operating profit	4	330,326	557,390
Interest receivable and similar income	8	1,572	71
Interest payable and similar expenses	9	(70,616)	(61,537)
Profit before taxation		261,282	495,924
Tax on profit	10	97,782	(70,234)
Profit for the financial year		359,064	425,690

Profit for the financial year is all attributable to the owners of the parent company.

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

J H LAVENDER (HOLDINGS) LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2017

	2017 £	2016 £
Profit for the year	359,064	425,690
Other comprehensive income	-	-
Total comprehensive income for the year	<u>359,064</u>	<u>425,690</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

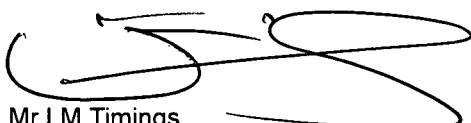
J H LAVENDER (HOLDINGS) LTD

GROUP BALANCE SHEET

AS AT 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	12		5,700,373		5,535,823
Current assets					
Stocks	16	640,700		776,570	
Debtors	17	2,118,070		1,754,054	
Cash at bank and in hand		6,575		20,892	
		<u>2,765,345</u>		<u>2,551,516</u>	
Creditors: amounts falling due within one year	18	<u>(3,148,061)</u>		<u>(2,672,294)</u>	
Net current liabilities			<u>(382,716)</u>		<u>(120,778)</u>
Total assets less current liabilities			5,317,657		5,415,045
Creditors: amounts falling due after more than one year	19		(713,495)		(954,212)
Provisions for liabilities	22		<u>(452,403)</u>		<u>(487,538)</u>
Net assets			<u>4,151,759</u>		<u>3,973,295</u>
Capital and reserves					
Called up share capital	25		3,010		3,010
Share premium account			6,250		6,250
Other reserves			374,304		374,304
Capital redemption reserve			112		112
Profit and loss reserves			<u>3,768,083</u>		<u>3,589,619</u>
Total equity			<u>4,151,759</u>		<u>3,973,295</u>

The financial statements were approved by the board of directors and authorised for issue on 26 March 2018 and are signed on its behalf by:


 Mr I M Timings
 Director


J H LAVENDER (HOLDINGS) LTD

COMPANY BALANCE SHEET

AS AT 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	12	1,720,088		1,447,810	
Investments	13	1,000		1,000	
		<u>1,721,088</u>		<u>1,448,810</u>	
Current assets					
Debtors	17	324		14,469	
Cash at bank and in hand		3,538		4,809	
		<u>3,862</u>		<u>19,278</u>	
Creditors: amounts falling due within one year	18	<u>(327,639)</u>		<u>(67,644)</u>	
Net current liabilities			<u>(323,777)</u>		<u>(48,366)</u>
Total assets less current liabilities		<u>1,397,311</u>		<u>1,400,444</u>	
Creditors: amounts falling due after more than one year	19		<u>(36,749)</u>		<u>(40,786)</u>
Provisions for liabilities	22		<u>(5,251)</u>		<u>(5,877)</u>
Net assets		<u>1,355,311</u>		<u>1,353,781</u>	
Capital and reserves					
Called up share capital	25	3,010		3,010	
Share premium account		6,250		6,250	
Other reserves		374,304		374,304	
Capital redemption reserve		112		112	
Profit and loss reserves		971,635		970,105	
Total equity		<u>1,355,311</u>		<u>1,353,781</u>	

The financial statements were approved by the board of directors and authorised for issue on 26 March 2018 and are signed on its behalf by:


Mr I M Timings
Director

Company Registration No. 00202442

J H LAVENDER (HOLDINGS) LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 November 2015		3,010	6,250	112	374,304	3,344,529	3,728,205
Year ended 31 October 2016:							
Profit and total comprehensive income for the year		-	-	-	-	425,690	425,690
Dividends	11	-	-	-	-	(180,600)	(180,600)
Balance at 31 October 2016		3,010	6,250	112	374,304	3,589,619	3,973,295
Year ended 31 October 2017:							
Profit and total comprehensive income for the year		-	-	-	-	359,064	359,064
Dividends	11	-	-	-	-	(180,600)	(180,600)
Balance at 31 October 2017		3,010	6,250	112	374,304	3,768,083	4,151,759

J H LAVENDER (HOLDINGS) LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 November 2015		3,010	6,250	112	374,304	969,230	1,352,906
Year ended 31 October 2016:							
Profit and total comprehensive income for the year		-	-	-	-	181,475	181,475
Dividends	11	-	-	-	-	(180,600)	(180,600)
Balance at 31 October 2016		3,010	6,250	112	374,304	970,105	1,353,781
Year ended 31 October 2017:							
Profit and total comprehensive income for the year		-	-	-	-	182,130	182,130
Dividends	11	-	-	-	-	(180,600)	(180,600)
Balance at 31 October 2017		3,010	6,250	112	374,304	971,635	1,355,311

J H LAVENDER (HOLDINGS) LTD

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	31	784,597		792,857	
Interest paid		(70,616)		(61,537)	
Income taxes refunded		60,425		77,813	
Net cash inflow from operating activities		774,406		809,133	
Investing activities					
Purchase of tangible fixed assets		(530,300)		(659,670)	
Interest received		1,572		71	
Net cash used in investing activities		(528,728)		(659,599)	
Financing activities					
Proceeds of new bank loans		149,563		257,801	
Payment of finance leases obligations		(228,958)		(226,408)	
Dividends paid to equity shareholders		(180,600)		(180,600)	
Net cash used in financing activities		(259,995)		(149,207)	
Net (decrease)/increase in cash and cash equivalents		(14,317)		327	
Cash and cash equivalents at beginning of year		20,892		20,565	
Cash and cash equivalents at end of year		6,575		20,892	

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

Company information

J H Lavender (Holdings) Ltd ("the company") is a limited company domiciled and incorporated in England and Wales. The registered office is Hall Green Works, Crankhall Lane, West Bromwich, West Midlands, B71 3JZ.

The group consists of J H Lavender (Holdings) Ltd and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £182,130 (2016 - £181,475 profit).

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

1.2 Basis of consolidation

Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of J H Lavender (Holdings) Ltd and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 October 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold property	No depreciation
Plant and machinery	8% to 20% on reducing balance
Fixtures, fittings & equipment	10% to 20% on cost and 8% to 33.3% on reducing balance
Computer equipment	33.3% on reducing balance
Motor vehicles	33.3% on reducing balance

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

No depreciation is provided in respect of freehold buildings, which is a departure from the requirements of section 17 of FRS 102.

The group have a policy of regular maintenance and repair of the freehold buildings which maintains a long useful economic life of the buildings. Due to the continuing long economic life of the buildings the directors consider any depreciation to be insignificant.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2017 £	2016 £
Turnover analysed by class of business		
Principal activity	8,362,826	8,569,138
	<u> </u>	<u> </u>
	2017 £	2016 £
Other significant revenue		
Interest income	1,572	71
Grants received	53,171	48,121
Non government grants received	4,037	4,037
	<u> </u>	<u> </u>
	2017 £	2016 £
Turnover analysed by geographical market		
United Kingdom	7,433,017	7,606,585
Europe	920,714	804,083
United States of America	1,840	920
South America	7,255	23,214
China	-	134,336
	<u> </u>	<u> </u>
	8,362,826	8,569,138
	<u> </u>	<u> </u>

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(53,171)	(48,121)
Depreciation of owned tangible fixed assets	277,267	257,752
Depreciation of tangible fixed assets held under finance leases	88,483	89,188
Cost of stocks recognised as an expense	3,393,407	3,289,911
Operating lease charges	11,300	13,865
	<u> </u>	<u> </u>

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	4,450	4,300
Audit of the financial statements of the company's subsidiaries	9,500	9,075
	<u>13,950</u>	<u>13,375</u>
For other services		
Other assurance services	-	600
Taxation compliance services	3,150	2,650
	<u>3,150</u>	<u>3,250</u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	2017 Number	2016 Number
Production staff	64	70
Management and administration	25	24
Directors	3	3
	<u>92</u>	<u>97</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	2,736,252	2,829,162
Social security costs	280,780	283,070
Pension costs	131,858	123,703
	<u>3,148,890</u>	<u>3,235,935</u>

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	254,293	246,360
Company pension contributions to defined contribution schemes	18,460	18,904
	<u>272,753</u>	<u>265,264</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2016 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	168,836	166,115
Company pension contributions to defined contribution schemes	18,460	18,904
	<u>187,296</u>	<u>185,019</u>

8 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	1,501	15
Other interest income	71	56
	<u>1,572</u>	<u>71</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>1,501</u>	<u>15</u>
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9 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	8,210	2,466
Interest on finance leases and hire purchase contracts	26,350	26,975
Interest on invoice finance arrangements	34,014	29,673
	<u>68,574</u>	<u>59,114</u>
Other finance costs:		
Other interest	2,042	2,423
	<u>70,616</u>	<u>61,537</u>

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

10 Taxation

	2017 £	2016 £
Current tax		
Adjustments in respect of prior periods	(62,647)	(37,000)
Deferred tax		
Origination and reversal of timing differences	22,345	48,057
Changes in tax rates	(23,534)	-
Tax losses carried forward	(33,946)	59,177
Total deferred tax	(35,135)	107,234
Total tax (credit)/charge for the year	(97,782)	70,234

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	261,282	495,924
Expected tax charge based on the standard rate of corporation tax in the UK of 19.41% (2016: 20.00%)	50,715	99,185
Tax effect of expenses that are not deductible in determining taxable profit	1,372	96
Tax effect of income not taxable in determining taxable profit	(11,104)	(10,431)
Tax effect of utilisation of tax losses not previously recognised	(24,709)	(59,177)
Adjustments in respect of prior years	(62,647)	(37,000)
Other permanent differences	-	7,990
Depreciation addback	70,992	69,387
Capital allowances	(87,266)	(107,050)
Deferred taxation movement	(35,135)	107,234
Taxation (credit)/charge for the year	(97,782)	70,234

11 Dividends

	2017 £	2016 £
Final paid	180,600	180,600

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

12 Tangible fixed assets

Group	Freehold property	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 November 2016	1,396,282	7,927,833	137,013	231,174	24,750	9,717,052
Additions	279,360	142,674	3,052	13,223	91,991	530,300
At 31 October 2017	1,675,642	8,070,507	140,065	244,397	116,741	10,247,352
Depreciation and impairment						
At 1 November 2016	4,834	3,917,270	64,256	172,995	21,874	4,181,229
Depreciation charged in the year	1,035	311,941	10,939	21,578	20,257	365,750
At 31 October 2017	5,869	4,229,211	75,195	194,573	42,131	4,546,979
Carrying amount						
At 31 October 2017	1,669,773	3,841,296	64,870	49,824	74,610	5,700,373
At 31 October 2016	1,391,448	4,010,563	72,757	58,179	2,876	5,535,823

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

Company	Freehold property £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 November 2016	1,396,282	80,404	1,476,686
Additions	279,360	-	279,360
At 31 October 2017	1,675,642	80,404	1,756,046
Depreciation and impairment			
At 1 November 2016	4,834	24,042	28,876
Depreciation charged in the year	1,035	6,047	7,082
At 31 October 2017	5,869	30,089	35,958
Carrying amount			
At 31 October 2017	1,669,773	50,315	1,720,088
At 31 October 2016	1,391,448	56,362	1,447,810

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2017 £	2016 £	Company 2017 £	2016 £
Plant and machinery	1,183,173	1,272,463	-	-
Depreciation charge for the year in respect of leased assets	88,483	89,188	-	-

13 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	14	-	-	1,000	1,000

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

13 Fixed asset investments

(Continued)

Movements in fixed asset investments Company

Shares in
group
undertakings
£

Cost or valuation

At 1 November 2016 and 31 October 2017

1,000

Carrying amount

At 31 October 2017

1,000

At 31 October 2016

1,000

14 Subsidiaries

Details of the company's subsidiaries at 31 October 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
J.H. Lavender & Co Ltd	Hall Green Works, Crankhall Lane, West Bromwich, West Midlands, B71 3JZ	Aluminium die casters	Ordinary	100	

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
J.H. Lavender & Co Ltd	357,534	2,797,448

The investments in subsidiaries are all stated at cost.

15 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,983,675	1,678,924	-	13,508
Carrying amount of financial liabilities				
Measured at amortised cost	3,322,961	3,040,699	327,639	67,644

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

16 Stocks

	Group 2017 £	2016 £	Company 2017 £	2016 £
Raw materials and consumables	44,365	32,037	-	-
Work in progress	596,335	744,533	-	-
	<u>640,700</u>	<u>776,570</u>	<u>-</u>	<u>-</u>

17 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	1,983,675	1,660,416	-	-
Corporation tax recoverable	39,222	37,000	-	-
Other debtors	-	18,508	156	14,306
Prepayments and accrued income	95,173	38,130	168	163
	<u>2,118,070</u>	<u>1,754,054</u>	<u>324</u>	<u>14,469</u>

Included in the above trade debtors figure are balances totalling £1,575,884 (2016: £1,295,466) that are subject to invoice finance arrangements. The trade debtor balances have been transferred to the counterparty, though the transaction does not qualify for derecognition on the basis that the late payment risk is retained by the company. The associated liability recognised in creditors amounts to £1,312,281 (2016: £1,162,718)

18 Creditors: amounts falling due within one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	20	1,312,281	1,162,718	-	-
Obligations under finance leases	21	228,958	228,958	-	-
Trade creditors		1,283,776	889,320	-	-
Amounts due to group undertakings		-	-	298,331	55,706
Other taxation and social security		175,978	216,481	-	-
Deferred income	23	53,171	48,121	-	-
Other creditors		52,569	74,159	29,308	11,938
Accruals and deferred income		41,328	52,537	-	-
		<u>3,148,061</u>	<u>2,672,294</u>	<u>327,639</u>	<u>67,644</u>

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

19 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	20	199,750	199,750	-	-
Obligations under finance leases	21	204,299	433,257	-	-
Deferred income	23	309,446	321,205	36,749	40,786
		<u>713,495</u>	<u>954,212</u>	<u>36,749</u>	<u>40,786</u>

20 Loans and overdrafts

	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans	<u>1,512,031</u>	<u>1,362,468</u>	<u>-</u>	<u>-</u>
Payable within one year	1,312,281	1,162,718	-	-
Payable after one year	<u>199,750</u>	<u>199,750</u>	<u>-</u>	<u>-</u>

Secured debts - Group

The finance leases are secured by a chattels mortgage, dated 01/10/2010, and there is a legal assignment of contract monies, dated 26/03/2014, both with HSBC Asset Finance (UK) Ltd and HSBC Equipment Finance (UK) Ltd.

The invoice discounting account is secured by a fixed charge on non-vesting debts and floating charge, dated 22/09/2009, with HSBC Invoice Finance (UK) Ltd.

The bank borrowings are further secured by a debenture with HSBC Bank Plc, dated 24/09/2009, a composite company unlimited multilateral unlimited guarantee with HSBC Plc dated 24/09/2009 and a legal assignment of contract monies, with HSBC Bank Plc, dated 10/07/2012.

All bank borrowings of the subsidiary company, J.H. Lavender & Co Ltd, are secured with a legal mortgage with HSBC Bank Plc, dated 05/07/2012, on the Freehold Property known as Hall Green Works, Crankhall Lane, West Bromwich and a further legal mortgage with HSBC Bank Plc, dated 23/07/2012, on the Freehold Property at 128 Hall Green Road, Crankhall Lane, West Bromwich.

Secured debts - Company

All bank borrowings of the subsidiary company, J.H. Lavender & Co Ltd, are secured with a legal mortgage with HSBC Bank Plc, dated 05/07/2012, on the Freehold Property known as Hall Green Works, Crankhall Lane, West Bromwich and a further legal mortgage with HSBC Bank Plc, dated 23/07/2012, on the Freehold Property at 128 Hall Green Road, Crankhall Lane, West Bromwich.

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

21 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £	2016 £
Future minimum lease payments due under finance leases:				
Within one year	255,308	255,308	-	-
In two to five years	225,538	480,846	-	-
	<u>480,846</u>	<u>736,154</u>	<u>-</u>	<u>-</u>
Less: future finance charges	(47,589)	(73,939)	-	-
	<u>433,257</u>	<u>662,215</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2017 £	Liabilities 2016 £
Accelerated capital allowances	502,787	506,762
Tax losses	(50,384)	(19,224)
	<u>452,403</u>	<u>487,538</u>
	<u><u>452,403</u></u>	<u><u>487,538</u></u>
Company	Liabilities 2017 £	Liabilities 2016 £
Accelerated capital allowances	9,930	11,049
Tax losses	(4,679)	(5,172)
	<u>5,251</u>	<u>5,877</u>
	<u><u>5,251</u></u>	<u><u>5,877</u></u>

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

22 Deferred taxation

(Continued)

	Group 2017 £	Company 2017 £
Movements in the year:		
Liability at 1 November 2016	487,538	5,877
Credit to profit or loss	(11,601)	(626)
Effect of change in tax rate - profit or loss	(23,534)	-
Liability at 31 October 2017	<u>452,403</u>	<u>5,251</u>

23 Deferred income

	Group 2017 £	2016 £	Company 2017 £	2016 £
Arising from government grants	325,868	328,540	-	-
Other deferred income	<u>36,749</u>	<u>40,786</u>	<u>36,749</u>	<u>40,786</u>
	<u>362,617</u>	<u>369,326</u>	<u>36,749</u>	<u>40,786</u>

Deferred income is included in the financial statements as follows:

Current liabilities	53,171	48,121	-	-
Non-current liabilities	<u>309,446</u>	<u>321,205</u>	<u>36,749</u>	<u>40,786</u>
	<u>362,617</u>	<u>369,326</u>	<u>36,749</u>	<u>40,786</u>

24 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>131,858</u>	<u>123,703</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

25 Share capital

	Group and company	
	2017	2016
	£	£
Ordinary share capital Issued and fully paid 3,010 Ordinary shares of £1 each	3,010	3,010

26 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Within one year	42,231	43,455	-	-
Between two and five years	50,029	92,261	-	-
	<u>92,260</u>	<u>135,716</u>	<u>-</u>	<u>-</u>

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Acquisition of tangible fixed assets	429,146	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	272,753	265,264
	<u> </u>	<u> </u>

29 Directors' transactions

Dividends totalling £15,240 (2016 - £15,240) were paid in the year in respect of shares held by the company's directors.

30 Controlling party

The directors are regarded as controlling parties by virtue of their ability to act in concert in respect of the operations of the company.

J H LAVENDER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

31 Cash generated from group operations

	2017 £	2016 £
Profit for the year after tax	359,064	425,690
Adjustments for:		
Taxation (credited)/charged	(97,782)	70,234
Finance costs	70,616	61,537
Investment income	(1,572)	(71)
Depreciation and impairment of tangible fixed assets	365,750	346,940
Movements in working capital:		
Decrease in stocks	135,870	84,249
(Increase)/decrease in debtors	(361,794)	364,615
Increase/(decrease) in creditors	321,154	(606,129)
(Decrease)/increase in deferred income	(6,709)	45,792
Cash generated from operations	784,597	792,857

32 Non-audit services provided by auditor

In common with many businesses of our size and nature we use our auditor to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

In common with many other businesses of our size and nature we use our auditors to provide tax advice and to represent us, as necessary, at tax tribunals.