

Company Registration No. 00202442 (England and Wales)

**J H LAVENDER (HOLDINGS) LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2018**



# J H LAVENDER (HOLDINGS) LTD

## COMPANY INFORMATION

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<b>Directors</b>	Dr A J Rose Mr J M Warner Mr I M Timings
<b>Secretary</b>	Mr A V Taylor
<b>Company number</b>	00202442
<b>Registered office</b>	Hall Green Works Crankhall Lane West Bromwich West Midlands B71 3JZ
<b>Auditor</b>	Baldwins Audit Services International House 20 Hatherton Street Walsall WS4 2LA

# J H LAVENDER (HOLDINGS) LTD

## CONTENTS

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	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 8
Profit and loss account	9
Statement of comprehensive income	10
Group balance sheet	11
Company balance sheet	12
Group statement of changes in equity	13
Company statement of changes in equity	14
Group statement of cash flows	15
Company statement of cash flows	16
Notes to the financial statements	17 - 36

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# **J H LAVENDER (HOLDINGS) LTD**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 OCTOBER 2018**

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The directors present the strategic report for the year ended 31 October 2018.

#### **Fair review of the business**

##### **Year End Position as at 31st October 2018**

As stated in this report last year, due to Brexit related issues and the planned demise of the petrol and diesel combustion engine, a reduction in sales was forecast in 2018 in comparison to 2017. Some 12 months on, the Board are therefore pleased to report that overall group sales increased to £8,821,582 in 2018 from £8,362,826 in 2017. In addition, despite constant pressure on margins due to increases in the cost base of the group, gross margins have been more or less maintained at 18.57% in comparison to 18.73% in 2017. This is further evidence that continued investment in modern machinery and continuous improvements in working practices are achieving the desired outcome of absorbing increasing costs, such as rates, energy and pension contributions, all of which are beyond the direct control of the operational management team.

As well as keeping a tight control on the cost of sales during 2018, in order to maintain a gross margin percentage in line with the previous year, this control has been exercised throughout the group to include administrative expenses. This is evidenced in the profit before tax generated for the year of £282,805 (3.21%), which has increased in 2018 from £261,282 (3.12%) in 2017. In a very competitive and turbulent year, the Board are appreciative of the efforts of its workforce in order to achieve these impressive results. This performance has strengthened the group balance sheet and resulted in Shareholders' funds increasing some 7.6% from £4,151,759 in 2017 to £4,467,229 in 2018.

Further resources were committed during 2018 to complete the build of the new machining facility and the installation of the required integral features, in readiness for the re-location of both existing and new CNC equipment.

In line with the Directors sales strategy to diversify away from components for the passenger car combustion engine, 2018 has proven to be a key year in achieving this objective. Contracts have been secured for the supply of components on a tier 1 basis, for a number of new passenger car electrification projects. Typically this new business serves both the PHEV and pure EV markets with drive line and battery encasement components made from light weight high strength "exotic" alloys

Furthermore our diversification into the use of new light weight high strength exotic alloys has also supported us in securing new business opportunities in both light weight body and sub frame structures.

In addition, due to the group's previous experience of producing components for the gas industry, a new customer has also been acquired in this sector.

#### **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 group's 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 2018**

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### Key performance indicators

#### Analysis using key performance indicators:

##### Profit ratio

Pre-tax profit margin 3.21% (2017: 3.12%)


##### Liquidity ratio

Current ratio 0.84 (2017: 0.88)

##### Capital ratio

Interest cover 4.15 (2017: 4.70)

On behalf of the board



Mr I M Timings

Director

19 April 2019

# **J H LAVENDER (HOLDINGS) LTD**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 OCTOBER 2018**

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The directors present their annual report and financial statements for the year ended 31 October 2018.

#### **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:

Dr 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 9.

The dividend paid in the year was in respect of the year ended 31 October 2017 and was paid in April 2018.

#### **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.

#### **Future developments**

The on-going Brexit related issues and the uncertainty surrounding the future of the diesel combustion engine are still having a negative impact on not just the aluminium die-casting market but on the economy as a whole. In addition there are now wider global political factors influencing demand such as the trade wars between China and the USA. These factors have resulted in 2019 becoming a much more challenging year than 2018 proved to be. Major automotive OEM's in the UK and Europe are planning to take extended shutdowns, which demonstrate the significance of these issues to all businesses.

Despite this negativity, the Directors are encouraged by the success in securing the new contracts that will commence in 2020 and will generate a high level of sales for the following 5 years. This gives the Board the confidence to commit to further investment in a new fully automated 1600 ton pressure die-casting cell. In addition, following the completion of the new machining facility, during the year further changes to the layout of the pressure and gravity die casting foundry will be undertaken.

Finally, there will be ongoing investment in facilities to support the casting of new exotic structural aluminium alloys during 2019. This total capital investment programme of circa £1.5M plus will facilitate the influx of the new work and further build upon the current strong foundations that the business operates from.

# **J H LAVENDER (HOLDINGS) LTD**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2018**

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### **Auditor**

In accordance with the company's articles, a resolution proposing that Baldwins Audit Services be reappointed as auditor of the group will be put at a General Meeting.

### **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

A handwritten signature in black ink, consisting of a large, stylized 'S' or 'J' shape with a horizontal line extending to the right.

Mr I M Timings

**Director**

19 April 2019

# **J H LAVENDER (HOLDINGS) LTD**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 OCTOBER 2018***

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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

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#### Opinion

We have audited the financial statements of J H Lavender (Holdings) Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2018 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows 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 the parent company's affairs as at 31 October 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

#### 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.

# **J H LAVENDER (HOLDINGS) LTD**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF J H LAVENDER (HOLDINGS) LTD**

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#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# **J H LAVENDER (HOLDINGS) LTD**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF J H LAVENDER (HOLDINGS) LTD**

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#### **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.

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

19 April 2019

**Accountants**  
**Statutory Auditor**

International House  
20 Hatherton Street  
Walsall  
WS4 2LA

# J H LAVENDER (HOLDINGS) LTD

## GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2018

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	Notes	2018 £	2017 £
Turnover	3	8,821,582	8,362,826
Cost of sales		(7,183,550)	(6,796,804)
<b>Gross profit</b>		<b>1,638,032</b>	<b>1,566,022</b>
Administrative expenses		(1,328,949)	(1,292,904)
Other operating income		63,453	57,208
<b>Operating profit</b>	<b>4</b>	<b>372,536</b>	<b>330,326</b>
Interest receivable and similar income	8	45	1,572
Interest payable and similar expenses	9	(89,776)	(70,616)
<b>Profit before taxation</b>		<b>282,805</b>	<b>261,282</b>
Tax on profit	10	119,725	97,782
<b>Profit for the financial year</b>		<b>402,530</b>	<b>359,064</b>

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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 2018

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	2018 £	2017 £
Profit for the year	402,530	359,064
Other comprehensive income	-	-
Total comprehensive income for the year	<u>402,530</u>	<u>359,064</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 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Tangible assets	12	5,925,381		5,700,373	
<b>Current assets</b>					
Stocks	16	884,408		640,700	
Debtors	17	2,321,321		2,118,070	
Cash at bank and in hand		19,109		6,575	
		<u>3,224,838</u>		<u>2,765,345</u>	
<b>Creditors: amounts falling due within one year</b>	18	<u>(3,830,207)</u>		<u>(3,148,061)</u>	
<b>Net current liabilities</b>			(605,369)		(382,716)
<b>Total assets less current liabilities</b>			<u>5,320,012</u>		<u>5,317,657</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(379,135)		(713,495)
<b>Provisions for liabilities</b>	22		<u>(473,648)</u>		<u>(452,403)</u>
<b>Net assets</b>			<u><u>4,467,229</u></u>		<u><u>4,151,759</u></u>
<b>Capital and reserves</b>					
Called up share capital	25		3,022		3,010
Share premium account			9,838		6,250
Capital redemption reserve			112		112
Other reserves			374,304		374,304
Profit and loss reserves			<u>4,079,953</u>		<u>3,768,083</u>
<b>Total equity</b>			<u><u>4,467,229</u></u>		<u><u>4,151,759</u></u>

The financial statements were approved by the board of directors and authorised for issue on 19 April 2019 and are signed on its behalf by:



Mr I M Timings  
Director

# J H LAVENDER (HOLDINGS) LTD

## COMPANY BALANCE SHEET

AS AT 31 OCTOBER 2018

	Notes	2018		2017	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12		2,112,451		1,720,088
Investments	13		1,000		1,000
			<u>2,113,451</u>		<u>1,721,088</u>
<b>Current assets</b>					
Debtors	17	180		324	
Cash at bank and in hand		4,331		3,538	
		<u>4,511</u>		<u>3,862</u>	
<b>Creditors: amounts falling due within one year</b>	18	(719,492)		(327,639)	
<b>Net current liabilities</b>			<u>(714,981)</u>		<u>(323,777)</u>
<b>Total assets less current liabilities</b>			<u>1,398,470</u>		<u>1,397,311</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(32,712)		(36,749)
<b>Provisions for liabilities</b>	22		(4,763)		(5,251)
<b>Net assets</b>			<u><u>1,360,995</u></u>		<u><u>1,355,311</u></u>
<b>Capital and reserves</b>					
Called up share capital	25		3,022		3,010
Share premium account			9,838		6,250
Capital redemption reserve			112		112
Other reserves			374,304		374,304
Profit and loss reserves			973,719		971,635
<b>Total equity</b>			<u><u>1,360,995</u></u>		<u><u>1,355,311</u></u>

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 £92,744 (2017 - £182,130 profit).

The financial statements were approved by the board of directors and authorised for issue on 19 April 2019 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 2018

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 November 2016</b>		3,010	6,250	112	374,304	3,589,619	3,973,295
<b>Year ended 31 October 2017:</b>							
Profit and total comprehensive income for the year		-	-	-	-	359,064	359,064
Dividends	11	-	-	-	-	(180,600)	(180,600)
<b>Balance at 31 October 2017</b>		3,010	6,250	112	374,304	3,768,083	4,151,759
<b>Year ended 31 October 2018:</b>							
Profit and total comprehensive income for the year		-	-	-	-	402,530	402,530
Issue of share capital	25	12	3,588	-	-	-	3,600
Dividends	11	-	-	-	-	(90,660)	(90,660)
<b>Balance at 31 October 2018</b>		3,022	9,838	112	374,304	4,079,953	4,467,229



## J H LAVENDER (HOLDINGS) LTD

### COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2018

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 November 2016</b>		3,010	6,250	112	374,304	970,105	1,353,781
<b>Year ended 31 October 2017:</b>							
Profit and total comprehensive income for the year		-	-	-	-	182,130	182,130
Dividends	11	-	-	-	-	(180,600)	(180,600)
<b>Balance at 31 October 2017</b>		3,010	6,250	112	374,304	971,635	1,355,311
<b>Year ended 31 October 2018:</b>							
Profit and total comprehensive income for the year		-	-	-	-	92,744	92,744
Issue of share capital	25	12	3,588	-	-	-	3,600
Dividends	11	-	-	-	-	(90,660)	(90,660)
<b>Balance at 31 October 2018</b>		3,022	9,838	112	374,304	973,719	1,360,995

# J H LAVENDER (HOLDINGS) LTD

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	31	445,361		784,597	
Interest paid		(89,776)		(70,616)	
Income taxes refunded		54,359		60,425	
<b>Net cash inflow from operating activities</b>		<b>409,944</b>		<b>774,406</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(595,606)		(530,300)	
Proceeds on disposal of tangible fixed assets		16,154		-	
Interest received		45		1,572	
<b>Net cash used in investing activities</b>		<b>(579,407)</b>		<b>(528,728)</b>	
<b>Financing activities</b>					
Proceeds from issue of shares		3,600		-	
Proceeds of new bank loans		498,015		149,563	
Payment of finance leases obligations		(228,958)		(228,958)	
Dividends paid to equity shareholders		(90,660)		(180,600)	
<b>Net cash generated from/(used in) financing activities</b>		<b>181,997</b>		<b>(259,995)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,534</b>		<b>(14,317)</b>	
Cash and cash equivalents at beginning of year		6,575		20,892	
<b>Cash and cash equivalents at end of year</b>		<b>19,109</b>		<b>6,575</b>	

# J H LAVENDER (HOLDINGS) LTD

## COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	32		397,361		278,018
<b>Investing activities</b>					
Purchase of tangible fixed assets		(400,168)		(279,360)	
Interest received		-		71	
Dividends received		90,660		180,600	
<b>Net cash used in investing activities</b>			(309,508)		(98,689)
<b>Financing activities</b>					
Proceeds from issue of shares		3,600		-	
Dividends paid to equity shareholders		(90,660)		(180,600)	
<b>Net cash used in financing activities</b>			(87,060)		(180,600)
<b>Net increase/(decrease) in cash and cash equivalents</b>			793		(1,271)
Cash and cash equivalents at beginning of year			3,538		4,809
<b>Cash and cash equivalents at end of year</b>			4,331		3,538

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

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### 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.

#### 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 2018. 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 represents net invoiced sales of goods, excluding value added tax.

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.

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

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#### 1 Accounting policies

(Continued)

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

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.

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible 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.

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 at bank and in hand

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.

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

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#### 1 Accounting policies

(Continued)

##### 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.

##### **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.

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

---

#### 1 Accounting policies

(Continued)

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.

#### **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 transaction 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.



# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

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### 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 2018

#### 3 Turnover and other revenue

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

	2018 £	2017 £
<b>Turnover analysed by class of business</b>		
Principal activity	8,821,582	8,362,826
	2018 £	2017 £
<b>Other significant revenue</b>		
Interest income	45	1,572
Grants received	59,416	53,171
Non government grants received	4,037	4,037
	2018 £	2017 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	6,979,798	7,433,017
Europe	1,784,610	920,714
United States of America	959	1,840
South America	56,215	7,255
	8,821,582	8,362,826

#### 4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(59,416)	(53,171)
Depreciation of owned tangible fixed assets	283,898	277,267
Depreciation of tangible fixed assets held under finance leases	84,506	88,483
Profit on disposal of tangible fixed assets	(13,960)	-
Cost of stocks recognised as an expense	3,784,544	3,393,407
Operating lease charges	11,315	11,300

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

#### 5 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	4,400	4,450
Audit of the financial statements of the company's subsidiaries	11,435	9,500
	<u>15,835</u>	<u>13,950</u>

#### 6 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Production staff	60	64	-	-
Management and administration	22	25	-	-
Directors	3	3	-	-
	<u>85</u>	<u>92</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	2,763,846	2,736,252	-	-
Social security costs	287,880	280,780	-	-
Pension costs	132,390	131,858	-	-
	<u>3,184,116</u>	<u>3,148,890</u>	<u>-</u>	<u>-</u>

#### 7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	266,734	254,293
Company pension contributions to defined contribution schemes	19,327	18,460
	<u>286,061</u>	<u>272,753</u>

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 7 Directors' remuneration

(Continued)

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

	2018 £	2017 £
Remuneration for qualifying services	180,143	168,836
Company pension contributions to defined contribution schemes	19,327	18,460

### 8 Interest receivable and similar income

	2018 £	2017 £
<b>Interest income</b>		
Interest on bank deposits	45	1,501
Other interest income	-	71
Total income	45	1,572

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	45	1,501
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### 9 Interest payable and similar expenses

	2018 £	2017 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	17,178	8,210
Interest on finance leases and hire purchase contracts	26,350	26,350
Interest on invoice finance arrangements	43,073	34,014
	86,601	68,574
<b>Other finance costs:</b>		
Other interest	3,175	2,042
Total finance costs	89,776	70,616

### 10 Taxation

	2018 £	2017 £
<b>Current tax</b>		
Adjustments in respect of prior periods	(140,970)	(62,647)

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

10	Taxation	(Continued)	
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	8,320	22,345
	Changes in tax rates	-	(23,534)
	Tax losses carried forward	12,925	(33,946)
	Total deferred tax	<u>21,245</u>	<u>(35,135)</u>
	Total tax credit	<u>(119,725)</u>	<u>(97,782)</u>

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:

	2018 £	2017 £
Profit before taxation	<u>282,805</u>	<u>261,282</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.41%)	53,733	50,715
Tax effect of expenses that are not deductible in determining taxable profit	1,309	1,372
Tax effect of income not taxable in determining taxable profit	(14,708)	(11,104)
Tax effect of utilisation of tax losses not previously recognised	(36,731)	(24,709)
Research and development tax credit	(140,970)	(62,647)
Depreciation addback	69,996	70,992
Capital allowances	(73,599)	(87,266)
Deferred taxation movement	<u>21,245</u>	<u>(35,135)</u>
Taxation credit	<u>(119,725)</u>	<u>(97,782)</u>

11	Dividends	2018 £	2017 £
	Final paid	<u>90,660</u>	<u>180,600</u>

## J H LAVENDER (HOLDINGS) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

#### 12 Tangible fixed assets

Group	Freehold property	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 November 2017	1,675,642	8,070,507	140,065	244,397	116,741	10,247,352
Additions	400,168	141,962	2,826	50,650	-	595,606
Disposals	-	(1,494)	-	-	(5,500)	(6,994)
At 31 October 2018	2,075,810	8,210,975	142,891	295,047	111,241	10,835,964
<b>Depreciation and impairment</b>						
At 1 November 2017	5,869	4,229,211	75,195	194,573	42,131	4,546,979
Depreciation charged in the year	1,035	301,149	11,499	30,387	24,334	368,404
Eliminated in respect of disposals	-	-	-	-	(4,800)	(4,800)
At 31 October 2018	6,904	4,530,360	86,694	224,960	61,665	4,910,583
<b>Carrying amount</b>						
At 31 October 2018	2,068,906	3,680,615	56,197	70,087	49,576	5,925,381
At 31 October 2017	1,669,773	3,841,296	64,870	49,824	74,610	5,700,373

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

Company	Freehold property	Fixtures, fittings & equipment	Total
	£	£	£
<b>Cost</b>			
At 1 November 2017	1,675,642	80,404	1,756,046
Additions	400,168	-	400,168
At 31 October 2018	2,075,810	80,404	2,156,214
<b>Depreciation and impairment</b>			
At 1 November 2017	5,869	30,089	35,958
Depreciation charged in the year	1,035	6,770	7,805
At 31 October 2018	6,904	36,859	43,763
<b>Carrying amount</b>			
At 31 October 2018	2,068,906	43,545	2,112,451
At 31 October 2017	1,669,773	50,315	1,720,088

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

	Group 2018 £	2017 £	Company 2018 £	2017 £
Plant and machinery	1,175,960	1,183,173	-	-
Depreciation charge for the year in respect of leased assets	84,506	88,483	-	-

#### 13 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
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 2018

### 13 Fixed asset investments

(Continued)

#### Movements in fixed asset investments

##### Company

Shares in  
group  
undertakings  
£

#### Cost or valuation

At 1 November 2017 and 31 October 2018

1,000

#### Carrying amount

At 31 October 2018

1,000

At 31 October 2017

1,000

### 14 Subsidiaries

Details of the company's subsidiaries at 31 October 2018 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 investments in subsidiaries are all stated at cost.

### 15 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	2,137,623	1,983,675	-	-
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	3,658,332	3,322,961	719,492	327,639



# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 16 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	23,330	44,365	-	-
Work in progress	861,078	596,335	-	-
	<u>884,408</u>	<u>640,700</u>	<u>-</u>	<u>-</u>

### 17 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
<b>Amounts falling due within one year:</b>				
Trade debtors	2,131,623	1,983,675	-	-
Corporation tax recoverable	125,833	39,222	-	-
Other debtors	6,000	-	-	156
Prepayments and accrued income	57,865	95,173	180	168
	<u>2,321,321</u>	<u>2,118,070</u>	<u>180</u>	<u>324</u>

Included in the above trade debtors figure are balances totalling £1,877,742 (2017: £1,575,884) 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 £1,329,544 (2017: £1,312,281)

### 18 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	20	2,010,046	1,312,281	-	-
Obligations under finance leases	21	127,366	228,958	-	-
Trade creditors		1,361,787	1,283,776	-	-
Amounts owed to group undertakings		-	-	715,007	298,331
Other taxation and social security		189,392	175,978	-	-
Deferred income	23	59,416	53,171	-	-
Other creditors		28,497	52,569	4,485	29,308
Accruals and deferred income		53,703	41,328	-	-
		<u>3,830,207</u>	<u>3,148,061</u>	<u>719,492</u>	<u>327,639</u>

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 19 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	20	-	199,750	-	-
Obligations under finance leases	21	76,933	204,299	-	-
Deferred income	23	302,202	309,446	32,712	36,749
		<u>379,135</u>	<u>713,495</u>	<u>32,712</u>	<u>36,749</u>

### 20 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	<u>2,010,046</u>	<u>1,512,031</u>	<u>-</u>	<u>-</u>
Payable within one year	2,010,046	1,312,281	-	-
Payable after one year	<u>-</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.

J H Lavender (Holdings) Ltd holds a legal mortgage with HSBC Bank plc for the land on the east side of Crankhall Lane, dated 03/11/17, to secure the debt of its subsidiary J H Lavender & Co Ltd.

#### 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 holds a legal mortgage with HSBC Bank plc for the land on the east side of Crankhall Lane, dated 03/11/17, to secure the debt of its subsidiary J H Lavender & Co Ltd.

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 21 Finance lease obligations

	Group 2018 £	2017 £	Company 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Within one year	141,391	255,308	-	-
In two to five years	84,147	225,538	-	-
	<u>225,538</u>	<u>480,846</u>	<u>-</u>	<u>-</u>
Less: future finance charges	(21,239)	(47,589)	-	-
	<u>204,299</u>	<u>433,257</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 2018 £	Liabilities 2017 £
Accelerated capital allowances	511,107	502,787
Tax losses	(37,459)	(50,384)
	<u>473,648</u>	<u>452,403</u>
	<u>473,648</u>	<u>452,403</u>
Company	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	8,750	9,930
Tax losses	(3,987)	(4,679)
	<u>4,763</u>	<u>5,251</u>
	<u>4,763</u>	<u>5,251</u>

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

### 22 Deferred taxation

(Continued)

	Group 2018 £	Company 2018 £
<b>Movements in the year:</b>		
Liability at 1 November 2017	452,403	5,251
Charge/(credit) to profit or loss	21,245	(488)
Liability at 31 October 2018	<u>473,648</u>	<u>4,763</u>

### 23 Deferred income

	Group 2018 £	2017 £	Company 2018 £	2017 £
Arising from government grants	328,906	325,868	-	-
Other deferred income	<u>32,712</u>	<u>36,749</u>	<u>32,712</u>	<u>36,749</u>
	<u>361,618</u>	<u>362,617</u>	<u>32,712</u>	<u>36,749</u>

Deferred income is included in the financial statements as follows:

Current liabilities	59,416	53,171	-	-
Non-current liabilities	<u>302,202</u>	<u>309,446</u>	<u>32,712</u>	<u>36,749</u>
	<u>361,618</u>	<u>362,617</u>	<u>32,712</u>	<u>36,749</u>

### 24 Retirement benefit schemes

	2018 £	2017 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>132,390</u>	<u>131,858</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.

### 25 Share capital

	Group and company 2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
3,022 Ordinary shares of £1 each	<u>3,022</u>	<u>3,010</u>

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 25 Share capital

(Continued)

#### Reconciliation of movements during the year:

	Ordinary Number
At 1 November 2017	3,010
Issue of fully paid shares	12
	<hr/>
At 31 October 2018	3,022
	<hr/> <hr/>

During the year 12 ordinary £1 shares were allotted for which £3,600 was received in consideration.

### 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 2018 £	2017 £	Company 2018 £	2017 £
Within one year	39,656	42,231	-	-
Between two and five years	65,708	50,029	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	105,364	92,260	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Acquisition of tangible fixed assets	50,099	429,146	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 OCTOBER 2018**

### 28 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	286,061	272,753

### 29 Directors' transactions

Dividends totalling £7,980 (2017 - £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.

### 31 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	402,530	359,064
Adjustments for:		
Taxation credited	(119,725)	(97,782)
Finance costs	89,776	70,616
Investment income	(45)	(1,572)
Gain on disposal of tangible fixed assets	(13,960)	-
Depreciation and impairment of tangible fixed assets	368,404	365,750
Movements in working capital:		
(Increase)/decrease in stocks	(243,708)	135,870
(Increase) in debtors	(116,640)	(361,794)
Increase in creditors	79,728	321,154
(Decrease) in deferred income	(999)	(6,709)
<b>Cash generated from operations</b>	<b>445,361</b>	<b>784,597</b>

# J H LAVENDER (HOLDINGS) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 OCTOBER 2018**

### 32 Cash generated from operations - company

	2018 £	2017 £
Profit for the year after tax	92,744	182,130
Adjustments for:		
Taxation credited	(488)	(626)
Investment income	(90,660)	(180,671)
Depreciation and impairment of tangible fixed assets	7,805	7,082
Movements in working capital:		
(Increase)/decrease in debtors	(12)	13,503
Increase in creditors	392,009	260,637
(Decrease) in deferred income	(4,037)	(4,037)
<b>Cash generated from operations</b>	<b>397,361</b>	<b>278,018</b>

### 33 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.