

Company Registration No. 02999887 (England and Wales)

J. H. LAVENDER & COMPANY LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2017

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J. H. LAVENDER & COMPANY LTD

COMPANY INFORMATION

Directors	Mr A J Rose Mr J M Warner Mr I M Timings
Secretary	Mr A V Taylor
Company number	02999887
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 & COMPANY LTD

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J. H. LAVENDER & COMPANY 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 company 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 company 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, between the company and its parent, 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 company still generated a pre-tax profit of £260,378 (3.11%), which has reduced from £495,758 (5.79%) in 2016. This has resulted in Shareholders' funds increasing some 6.8% from £2,620,514 in 2016 to £2,797,448 in 2017.

During 2017 the company celebrated its centenary trading year and was also awarded the prestigious JLRQ quality accreditation. Both these events will further underpin the company'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 company to pass on any movements in price to the customer.

Interest Rate Risk

The companies 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 company 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 company.

J. H. LAVENDER & COMPANY 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 3.11% (2016: 5.79%)

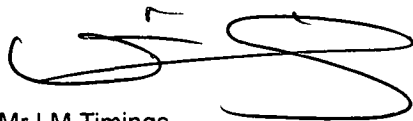
Liquidity ratio

Current ratio 0.98 (2016: 0.97)

Capital ratio

Interest cover 4.69 (2016: 9.06)

On behalf of the board



Mr I M Timings

Director

26 March 2018

J. H. LAVENDER & COMPANY 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 company 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 results for the year are set out on page 8.

Ordinary dividends were paid amounting to £180,600. The directors do not recommend payment of a further dividend.

Research and development

The company 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 Company itself.

J. H. LAVENDER & COMPANY 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 company will benefit from increased demand for these types of components.

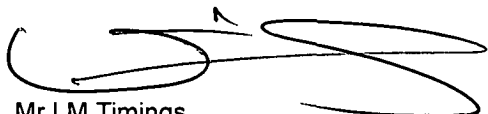
The completion of the new machining facility is due by the end of the second quarter 2018. This brand new bespoke facility will be dedicated to the machining and assembly of high integrity parts primarily for the automotive market. The new facility will provide additional capacity to allow us to expand 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 company's auditor 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 company's auditor is aware of that information.

On behalf of the board



Mr I M Timings

Director

26 March 2018

J. H. LAVENDER & COMPANY 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

J. H. LAVENDER & COMPANY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF J. H. LAVENDER & COMPANY LTD

We have audited the financial statements of J. H. Lavender & Company Ltd for the year ended 31 October 2017 set out on pages 8 to 27. 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 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 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 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.

J. H. LAVENDER & COMPANY LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF J. H. LAVENDER & COMPANY LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 & COMPANY LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2017

		2017	2016
	Notes	£	£
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		(1,289,700)	(1,249,545)
Other operating income		53,171	48,121
Operating profit	4	329,493	557,280
Interest receivable and similar income	7	1,501	15
Interest payable and similar expenses	8	(70,616)	(61,537)
Profit before taxation		260,378	495,758
Tax on profit	9	97,156	(70,943)
Profit for the financial year		357,534	424,815

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

J. H. LAVENDER & COMPANY LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2017

	2017 £	2016 £
Profit for the year	357,534	424,815
Other comprehensive income	-	-
Total comprehensive income for the year	<u>357,534</u>	<u>424,815</u>


J. H. LAVENDER & COMPANY LTD

BALANCE SHEET

AS AT 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	11		3,980,285		4,088,013
Current assets					
Stocks	13	640,700		776,570	
Debtors	14	2,416,233		1,796,089	
Cash at bank and in hand		3,037		16,083	
		<u>3,059,970</u>		<u>2,588,742</u>	
Creditors: amounts falling due within one year	15	<u>(3,118,909)</u>		<u>(2,661,154)</u>	
Net current liabilities			<u>(58,939)</u>		<u>(72,412)</u>
Total assets less current liabilities			3,921,346		4,015,601
Creditors: amounts falling due after more than one year	16		(676,746)		(913,426)
Provisions for liabilities	19		<u>(447,152)</u>		<u>(481,661)</u>
Net assets			<u>2,797,448</u>		<u>2,620,514</u>
Capital and reserves					
Called up share capital	23		1,000		1,000
Profit and loss reserves			<u>2,796,448</u>		<u>2,619,514</u>
Total equity			<u>2,797,448</u>		<u>2,620,514</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. 02999887

J. H. LAVENDER & COMPANY LTD

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

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 November 2015		1,000	2,375,299	2,376,299
Year ended 31 October 2016:				
Profit and total comprehensive income for the year		-	424,815	424,815
Dividends	10	-	(180,600)	(180,600)
Balance at 31 October 2016		1,000	2,619,514	2,620,514
Year ended 31 October 2017:				
Profit and total comprehensive income for the year		-	357,534	357,534
Dividends	10	-	(180,600)	(180,600)
Balance at 31 October 2017		1,000	2,796,448	2,797,448

J. H. LAVENDER & COMPANY LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	28	506,579		508,847	
Interest paid		(70,616)		(61,537)	
Income taxes refunded		60,425		77,813	
Net cash inflow from operating activities		496,388		525,123	
Investing activities					
Purchase of tangible fixed assets		(250,940)		(374,373)	
Interest received		1,501		15	
Net cash used in investing activities		(249,439)		(374,358)	
Financing activities					
Proceeds of new bank loans		149,563		257,801	
Payment of finance leases obligations		(228,958)		(226,408)	
Dividends paid		(180,600)		(180,600)	
Net cash used in financing activities		(259,995)		(149,207)	
Net (decrease)/increase in cash and cash equivalents		(13,046)		1,558	
Cash and cash equivalents at beginning of year		16,083		14,525	
Cash and cash equivalents at end of year		3,037		16,083	

J. H. LAVENDER & COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

Company information

J. H. Lavender & Company Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Hall Green Works, Crankhall Lane, West Bromwich, West Midlands, B71 3JZ.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 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.

1.3 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.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 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.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	8% to 20% on reducing balance
Fixtures, fittings & equipment	8% to 33.3% on reducing balance
Computer equipment	33.3% on reducing balance
Motor vehicles	33.3% on reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

J. H. LAVENDER & COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

At each reporting period end date, the company 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.

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.

1.6 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.

1.7 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.

1.8 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

J. H. LAVENDER & COMPANY LTD

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

1 Accounting policies

(Continued)

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 company 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 company after deducting all of its liabilities.

J. H. LAVENDER & COMPANY LTD

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

1 Accounting policies

(Continued)

Basic financial 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.

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 company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company 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 company.

1.10 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.11 Taxation

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

J. H. LAVENDER & COMPANY LTD

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

1 Accounting policies

(Continued)

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 company'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 when the company has 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.

1.12 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.

1.13 Retirement benefits

Contributions are charged to the profit and loss account in the year they are payable, in accordance with the rules of the scheme.

1.14 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.

J. H. LAVENDER & COMPANY LTD

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

1 Accounting policies

(Continued)

1.15 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 company'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.

3 Turnover and other revenue

An analysis of the company'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	1,501	15
Grants received	53,171	48,121
	<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>

J. H. LAVENDER & COMPANY LTD

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

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(53,171)	(48,121)
Fees payable to the company's auditor for the audit of the company's financial statements	9,500	9,075
Depreciation of owned tangible fixed assets	270,185	250,750
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>

5 Employees

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

	2017 Number	2016 Number
Production staff	64	70
Management and administration	25	24
Directors	3	3
	<u> </u>	<u> </u>
	92	97
	<u> </u>	<u> </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> </u>	<u> </u>
	3,148,890	3,235,935
	<u> </u>	<u> </u>

6 Directors' remuneration

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

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

J. H. LAVENDER & COMPANY LTD

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

6 Directors' remuneration

(Continued)

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

	2017 £	2016 £
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>

7 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	1,501	15
	<u>1,501</u>	<u>15</u>

Investment income includes the following:

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

8 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>

9 Taxation

	2017 £	2016 £
Current tax		
Adjustments in respect of prior periods	(62,647)	(37,000)
	<u>(62,647)</u>	<u>(37,000)</u>

J. H. LAVENDER & COMPANY LTD

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

9 Taxation

(Continued)

Deferred tax

Origination and reversal of timing differences	23,084	48,790
Changes in tax rates	(23,534)	-
Tax losses carried forward	(34,059)	59,153
	<u> </u>	<u> </u>
Total deferred tax	(34,509)	107,943
	<u> </u>	<u> </u>
Total tax (credit)/charge	(97,156)	70,943
	<u> </u>	<u> </u>

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

	2017 £	2016 £
Profit before taxation	260,378	495,758
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.41% (2016: 20.00%)	50,539	99,152
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	(10,320)	(9,624)
Tax effect of utilisation of tax losses not previously recognised	(24,354)	(59,153)
Adjustments in respect of prior years	(62,647)	(37,000)
Other permanent differences	-	7,990
Depreciation addback	69,617	67,987
Capital allowances	(86,854)	(106,448)
Deferred taxation movement	(34,509)	107,943
	<u> </u>	<u> </u>
Taxation (credit)/charge for the year	(97,156)	70,943
	<u> </u>	<u> </u>

10 Dividends

	2017 £	2016 £
Final paid	180,600	180,600
	<u> </u>	<u> </u>

J. H. LAVENDER & COMPANY LTD

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

11 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 November 2016	7,927,833	56,609	231,174	24,750	8,240,366
Additions	142,674	3,052	13,223	91,991	250,940
At 31 October 2017	8,070,507	59,661	244,397	116,741	8,491,306
Depreciation and impairment					
At 1 November 2016	3,917,270	40,214	172,995	21,874	4,152,353
Depreciation charged in the year	311,941	4,892	21,578	20,257	358,668
At 31 October 2017	4,229,211	45,106	194,573	42,131	4,511,021
Carrying amount					
At 31 October 2017	3,841,296	14,555	49,824	74,610	3,980,285
At 31 October 2016	4,010,563	16,395	58,179	2,876	4,088,013

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

	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

12 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,282,006	1,721,122
Carrying amount of financial liabilities		
Measured at amortised cost	3,293,653	3,028,761

J. H. LAVENDER & COMPANY LTD

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

13 Stocks

	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>

14 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,983,675	1,660,416
Corporation tax recoverable	39,222	37,000
Amounts owed by group undertakings	298,331	55,706
Other debtors	-	5,000
Prepayments and accrued income	95,005	37,967
	<u>2,416,233</u>	<u>1,796,089</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)

15 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	17	1,312,281	1,162,718
Obligations under finance leases	18	228,958	228,958
Trade creditors		1,283,776	889,320
Other taxation and social security		176,134	217,279
Government grants	21	53,171	48,121
Other creditors		23,261	62,221
Accruals and deferred income		41,328	52,537
		<u>3,118,909</u>	<u>2,661,154</u>

J. H. LAVENDER & COMPANY LTD

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

16 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	17	199,750	199,750
Obligations under finance leases	18	204,299	433,257
Government grants	21	272,697	280,419
		<u>676,746</u>	<u>913,426</u>

17 Loans and overdrafts

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

Secured debts

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.

18 Finance lease obligations

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

Finance lease payments represent rentals payable by the company 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.

J. H. LAVENDER & COMPANY LTD

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

19 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	20	447,152	481,661

20 Deferred taxation

Deferred tax assets and liabilities are offset where the 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:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	492,857	495,713
Tax losses	(45,705)	(14,052)
	<u>447,152</u>	<u>481,661</u>
Movements in the year:		2017 £
Liability at 1 November 2016		481,661
Credit to profit or loss		(10,975)
Effect of change in tax rate - profit or loss		(23,534)
Liability at 31 October 2017		<u>447,152</u>

21 Government grants

Deferred income is included in the financial statements as follows:

	2017 £	2016 £
Current liabilities	53,171	48,121
Non-current liabilities	272,697	280,419
	<u>325,868</u>	<u>328,540</u>

J. H. LAVENDER & COMPANY LTD

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

22 Retirement benefit schemes

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

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

23 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
1,000 Ordinary of £1 each	1,000	1,000
	1,000	1,000

24 Operating lease commitments

Lessee

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

	2017	2016
	£	£
Within one year	42,231	43,455
Between two and five years	50,029	92,261
	92,260	135,716

25 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017	2016
	£	£
Acquisition of tangible fixed assets	429,146	-

J. H. LAVENDER & COMPANY LTD

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

26 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

The company has taken advantage of exemptions available under FRS 102.33.1A whereby transactions between two or more members of a group, where one is a wholly owned subsidiary of the other, have not been disclosed.

27 Controlling party

The parent company of J. H. Lavender & Co Ltd is J. H. Lavender (Holdings) Ltd.

The directors of J. H. Lavender (Holding) Limited are regarded as its controlling parties by virtue of their ability to act in concert in respect of the operations of the company.

J. H. Lavender & Co Ltd is consolidated into J. H. Lavender (Holdings) Ltd group accounts.

28 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	357,534	424,815
Adjustments for:		
Taxation (credited)/charged	(97,156)	70,943
Finance costs	70,616	61,537
Investment income	(1,501)	(15)
Depreciation and impairment of tangible fixed assets	358,668	339,938
Movements in working capital:		
Decrease in stocks	135,870	84,249
(Increase)/decrease in debtors	(617,922)	300,138
Increase/(decrease) in creditors	303,142	(822,587)
(Decrease)/increase in deferred income	(2,672)	49,829
Cash generated from operations	506,579	508,847

29 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.