

Company Registration No. 02999887 (England and Wales)

**J. H. LAVENDER & COMPANY LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2018**



# J. H. LAVENDER & COMPANY 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>	02999887
<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 & COMPANY LTD

## CONTENTS

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	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 7
Profit and loss account	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 - 28

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# **J. H. LAVENDER & COMPANY 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 company 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 company, 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 company to include administrative expenses. This is evidenced in the profit before tax generated for the year of £281,209 (3.19%), which has increased in 2018 from £260,378 (3.11%) 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 companies balance sheet and resulted in Shareholders' funds increasing some 11.1% from £2,797,448 in 2017 to £3,107,234 in 2018.

Further resources were committed during 2018, by the parent company, 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 company'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 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 2018**

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### Key performance indicators

Analysis using key performance indicators:

#### Profit ratio

Pre-tax profit margin 3.19% (2017: 3.11%)

#### Liquidity ratio

Current ratio 1.03 (2017: 0.98)

#### Capital ratio

Interest cover 4.13 (2017: 4.69)

On behalf of the board



Mr I M Timings

**Director**

19 April 2019

# **J. H. LAVENDER & COMPANY 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 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:

Dr 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 £90,660. 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.

#### **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 & COMPANY LTD**

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

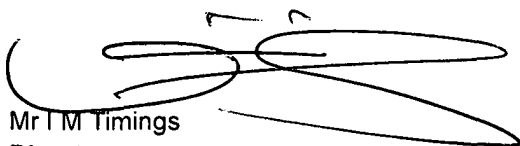
**FOR THE YEAR ENDED 31 OCTOBER 2018**

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### **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

A handwritten signature in black ink, consisting of a large, stylized 'T' with a horizontal stroke that loops back to the left, and a vertical stroke that extends downwards.

Mr I M Timings  
**Director**

19 April 2019

# **J. H. LAVENDER & COMPANY 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 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

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#### Opinion

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

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the 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 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.

#### 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.

# **J. H. LAVENDER & COMPANY LTD**

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

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

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#### **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.

#### **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 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 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.

#### **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 & COMPANY LTD

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2018

	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		(1,326,508)	(1,289,700)
Other operating income		59,416	53,171
<b>Operating profit</b>	<b>4</b>	<b>370,940</b>	<b>329,493</b>
Interest receivable and similar income	7	45	1,501
Interest payable and similar expenses	8	(89,776)	(70,616)
<b>Profit before taxation</b>		<b>281,209</b>	<b>260,378</b>
Tax on profit	9	119,237	97,156
<b>Profit for the financial year</b>		<b>400,446</b>	<b>357,534</b>

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 2018

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	2018 £	2017 £
Profit for the year	400,446	357,534
Other comprehensive income	-	-
Total comprehensive income for the year	<u>400,446</u>	<u>357,534</u>

# J. H. LAVENDER & COMPANY LTD

## BALANCE SHEET

AS AT 31 OCTOBER 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Tangible assets	11	3,812,930		3,980,285	
<b>Current assets</b>					
Stocks	13	884,408		640,700	
Debtors	14	3,036,148		2,416,233	
Cash at bank and in hand		14,778		3,037	
		<u>3,935,334</u>		<u>3,059,970</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(3,825,722)</u>		<u>(3,118,909)</u>	
<b>Net current assets/(liabilities)</b>			109,612		(58,939)
<b>Total assets less current liabilities</b>			<u>3,922,542</u>		<u>3,921,346</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(346,423)		(676,746)
<b>Provisions for liabilities</b>	19		(468,885)		(447,152)
<b>Net assets</b>			<u><u>3,107,234</u></u>		<u><u>2,797,448</u></u>
<b>Capital and reserves</b>					
Called up share capital	23		1,000		1,000
Profit and loss reserves			<u>3,106,234</u>		<u>2,796,448</u>
<b>Total equity</b>			<u><u>3,107,234</u></u>		<u><u>2,797,448</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 T M Timings  
Director

Company Registration No. 02999887

# J. H. LAVENDER & COMPANY LTD

## STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 OCTOBER 2018**

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 November 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
Year ended 31 October 2018:				
Profit and total comprehensive income for the year		-	400,446	400,446
Dividends	10	-	(90,660)	(90,660)
Balance at 31 October 2018		1,000	3,106,234	3,107,234

# J. H. LAVENDER & COMPANY LTD

## 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	28		48,000		506,579
Interest paid			(89,776)		(70,616)
Income taxes refunded			54,359		60,425
			<u>          </u>		<u>          </u>
<b>Net cash inflow from operating activities</b>			12,583		496,388
<b>Investing activities</b>					
Purchase of tangible fixed assets		(195,438)		(250,940)	
Proceeds on disposal of tangible fixed assets		16,154		-	
Interest received		45		1,501	
		<u>          </u>		<u>          </u>	
<b>Net cash used in investing activities</b>			(179,239)		(249,439)
<b>Financing activities</b>					
Proceeds of new bank loans		498,015		149,563	
Payment of finance leases obligations		(228,958)		(228,958)	
Dividends paid		(90,660)		(180,600)	
		<u>          </u>		<u>          </u>	
<b>Net cash generated from/(used in) financing activities</b>			178,397		(259,995)
			<u>          </u>		<u>          </u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			11,741		(13,046)
Cash and cash equivalents at beginning of year			3,037		16,083
			<u>          </u>		<u>          </u>
<b>Cash and cash equivalents at end of year</b>			14,778		3,037
			<u>          </u>		<u>          </u>

# J. H. LAVENDER & COMPANY 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 & 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. 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.

#### 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.

#### 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.



# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

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#### 1 Accounting policies

(Continued)

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

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

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

#### 1.6 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.

#### **Basic financial assets**

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

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

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#### 1 Accounting policies

(Continued)

##### **Other financial assets**

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

##### **Impairment of financial assets**

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

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

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

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the 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.

##### **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.

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

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### 1 Accounting policies

(Continued)

#### **Other financial liabilities**

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

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

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the 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 transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.10 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 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.

### 1.11 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.

### 1.12 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.

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

#### 1 Accounting policies

(Continued)

##### 1.13 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.

##### 1.14 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:

	2018 £	2017 £
<b>Turnover analysed by class of business</b>		
Principal activity	8,821,582	8,362,826
	<u>          </u>	<u>          </u>
	2018 £	2017 £
<b>Other significant revenue</b>		
Interest income	45	1,501
Grants received	59,416	53,171
	<u>          </u>	<u>          </u>

# J. H. LAVENDER & COMPANY LTD

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

### 3 Turnover and other revenue

(Continued)

	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
	<u>8,821,582</u>	<u>8,362,826</u>

### 4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(59,416)	(53,171)
Fees payable to the company's auditor for the audit of the company's financial statements	11,435	9,500
Depreciation of owned tangible fixed assets	276,093	270,185
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
	<u>3,784,544</u>	<u>3,393,407</u>

### 5 Employees

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

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

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 5 Employees (Continued)

Their aggregate remuneration comprised:

	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>

### 6 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>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

Remuneration disclosed above include 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
	<u>199,470</u>	<u>187,296</u>

### 7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	45	1,501
	<u>45</u>	<u>1,501</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	45	1,501
	<u>45</u>	<u>1,501</u>

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 8 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
	<u>86,601</u>	<u>68,574</u>
<b>Other finance costs:</b>		
Other interest	3,175	2,042
	<u>89,776</u>	<u>70,616</u>

### 9 Taxation

	2018 £	2017 £
<b>Current tax</b>		
Adjustments in respect of prior periods	(140,970)	(62,647)
	<u></u>	<u></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	9,500	23,084
Changes in tax rates	-	(23,534)
Tax losses carried forward	12,233	(34,059)
	<u>21,733</u>	<u>(34,509)</u>
Total deferred tax		
	<u>21,733</u>	<u>(34,509)</u>
Total tax credit	(119,237)	(97,156)
	<u></u>	<u></u>

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

(Continued)

The actual credit 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:

	2018 £	2017 £
Profit before taxation	281,209	260,378
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.41%)	53,430	50,539
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	(13,941)	(10,320)
Tax effect of utilisation of tax losses not previously recognised	(36,073)	(24,354)
Research and development tax credit	(140,970)	(62,647)
Depreciation addback	68,513	69,617
Capital allowances	(73,238)	(86,854)
Deferred taxation movement	21,733	(34,509)
Taxation credit for the year	(119,237)	(97,156)

#### 10 Dividends

	2018 £	2017 £
Final paid	90,660	180,600



# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

#### 11 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 November 2017	8,070,507	59,661	244,397	116,741	8,491,306
Additions	141,962	2,826	50,650	-	195,438
Disposals	(1,494)	-	-	(5,500)	(6,994)
At 31 October 2018	8,210,975	62,487	295,047	111,241	8,679,750
<b>Depreciation and impairment</b>					
At 1 November 2017	4,229,211	45,106	194,573	42,131	4,511,021
Depreciation charged in the year	301,149	4,729	30,387	24,334	360,599
Eliminated in respect of disposals	-	-	-	(4,800)	(4,800)
At 31 October 2018	4,530,360	49,835	224,960	61,665	4,866,820
<b>Carrying amount</b>					
At 31 October 2018	3,680,615	12,652	70,087	49,576	3,812,930
At 31 October 2017	3,841,296	14,555	49,824	74,610	3,980,285

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

	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

#### 12 Financial instruments

	2018 £	2017 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	2,852,630	2,282,006
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	3,653,847	3,293,653

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 13 Stocks

	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>

### 14 Debtors

	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
Amounts owed by group undertakings	715,007	298,331
Other debtors	6,000	-
Prepayments and accrued income	57,685	95,005
	<u>3,036,148</u>	<u>2,416,233</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)

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

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	2,010,046	1,312,281
Obligations under finance leases	18	127,366	228,958
Trade creditors		1,361,787	1,283,776
Other taxation and social security		189,392	176,134
Government grants	21	59,416	53,171
Other creditors		24,012	23,261
Accruals and deferred income		53,703	41,328
		<u>3,825,722</u>	<u>3,118,909</u>

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2018

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

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	-	199,750
Obligations under finance leases	18	76,933	204,299
Government grants	21	269,490	272,697
		<u>346,423</u>	<u>676,746</u>

#### 17 Loans and overdrafts

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

The parent company 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 J H Lavender & Co Ltd.

#### 18 Finance lease obligations

	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>
Less: future finance charges	(21,239)	(47,589)
	<u>204,299</u>	<u>433,257</u>

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 18 Finance lease obligations

(Continued)

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.

### 19 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	20	468,885	447,152

### 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 2018 £	Liabilities 2017 £
<b>Balances:</b>		
Accelerated capital allowances	502,357	492,857
Tax losses	(33,472)	(45,705)
	<u>468,885</u>	<u>447,152</u>
<b>Movements in the year:</b>		2018 £
Liability at 1 November 2017		447,152
Charge to profit or loss		21,733
Liability at 31 October 2018		<u>468,885</u>

### 21 Government grants

Deferred income is included in the financial statements as follows:

	2018 £	2017 £
Current liabilities	59,416	53,171
Non-current liabilities	269,490	272,697
	<u>328,906</u>	<u>325,868</u>

# J. H. LAVENDER & COMPANY LTD

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

### 22 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	132,390	131,858

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

	2018	2017
	£	£
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:

	2018	2017
	£	£
Within one year	39,656	42,231
Between two and five years	65,708	50,029
	105,364	92,260

### 25 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2018	2017
	£	£
Acquisition of tangible fixed assets	50,099	429,146

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2018

### 26 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

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

	2018 £	2017 £
Profit for the year after tax	400,446	357,534
<b>Adjustments for:</b>		
Taxation credited	(119,237)	(97,156)
Finance costs	89,776	70,616
Investment income	(45)	(1,501)
Gain on disposal of tangible fixed assets	(13,960)	-
Depreciation and impairment of tangible fixed assets	360,599	358,668
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(243,708)	135,870
(Increase) in debtors	(533,304)	(617,922)
Increase in creditors	104,395	303,142
Increase/(decrease) in deferred income	3,038	(2,672)
<b>Cash generated from operations</b>	<b>48,000</b>	<b>506,579</b>

# **J. H. LAVENDER & COMPANY LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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### **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.