

Company Registration No. 02999887 (England and Wales)

**J. H. LAVENDER & COMPANY LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2020**

# J. H. LAVENDER & COMPANY LTD

## COMPANY INFORMATION

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|--------------------------|--|
| <b>Directors</b>         | Dr A J Rose<br>Mr J M Warner<br>Mr I M Timings<br>Mr A V Taylor  |
| <b>Secretary</b>         | Mr A V Taylor  |
| <b>Company number</b>    | 02999887   |
| <b>Registered office</b> | Hall Green Works<br>Crankhall Lane<br>West Bromwich<br>West Midlands<br>United Kingdom<br>B71 3JZ          |
| <b>Auditor</b>           | Azets Audit Services<br>6th Floor, Bank House<br>8 Cherry Street<br>Birmingham<br>United Kingdom<br>B2 5AL |

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

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 OCTOBER 2020**

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The directors present the strategic report for the year ended 31 October 2020.

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

#### **Year End Position as at 31st October 2020**

For the first four months of the financial year commencing 1st November 2019, the company was performing in line with forecasts and was nearing the completion of a number of new project introductions, some of which being exclusively for existing PHEV and new EV vehicle programmes. Since securing this work, the group had been preparing for this by investing significantly in new buildings and CNC equipment, the majority of which had been installed in anticipation of the project start dates. Then as of March 2020 the continued threat from COVID-19 resulted in the company having to react to a significant reduction in sales, when previously it was forecast to be entering into a sustained period of high activity brought about by new customers and new contracts.

As a majority of company's suspended trading in-light of the Government lockdown restrictions, with very short notice, customers cancelled orders and sales in the month of April reduced dramatically. The Board therefore took the difficult decision to close the business from the 1st April for a limited period. All employees, apart from key members of the management team, were put on furlough in line with Government legislation. During this time, the Group were successful in securing a CBILS loan supported by the Government via its bankers HSBC, which provided the immediate working capital required to finance the business in the short-term.

Due to requirements from customers operating in the medical and gas industries the business re-opened on 22nd April at a subdued level of sales. However from June onwards sales further began to steadily increase and by October had returned to pre-COVID-19 levels on a consistent basis. In line with this increasing demand, employees were taken off furlough and returned to work. By November all employees had returned to full time working and the Directors are pleased to confirm that no "job cuts" were made during this difficult time.

The impact of COVID-19 on company sales is evident with a 40% reduction from £8,353,306 in 2019 to £5,031,588 in 2020. As the figures show, the loss before tax is therefore £841,505.

#### **Principal risks and uncertainties**

##### **Price Risk**

Despite a reduction during April and May, overall the price of aluminium over the last 12 months has increased by over 21% from £1,175 to £1,425 per metric ton. There is uncertainty in the future cost of aluminium and currently prices have continued to increase and now stand at over £1,700 per metric ton. However this is mitigated by agreements that allow the group to pass on any movements in price to the customer.

##### **Interest Rate Risk**

The company's invoice discounting facility is linked to the Bank of England base rate and although it has been stable at historic lows for several years now, the inevitable rise in rates in coming years, will expose the 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. This was very much the case again in 2020 with the impact of COVID-19 on businesses throughout the world.

##### **Financial instruments**

The company does not have excessive exposure to risks in respect of price, credit, liquidity and cash flow risk. The company's financial instruments are largely traded in the functional currency, being sterling and the company does not use hedge accounting in respect of its financial instruments.

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

### **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 OCTOBER 2020***

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#### **Key performance indicators**

##### **Analysis using key performance indicators:**

##### **Profit ratio**

Pre-tax profit margin -16.72% (2019: 0.56%)

##### **Liquidity ratio**

Current ratio 1.45 (2019: 1.07)

##### **Capital ratio**

Interest cover -11.66 (2019: 1.54)

On behalf of the board

Mr I M Timings

**Director**

26 August 2021

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

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 OCTOBER 2020***

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The directors present their annual report and financial statements for the year ended 31 October 2020.

### **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  
Mr A V Taylor

### **Results and dividends**

The results for the year are set out on page 9.

No ordinary dividends were paid for the year ended 31 October 2020 (2019: £90,660). The directors do not recommend payment of a final dividend.

### **Going concern**

At the time of approving these financial statements, the directors have considered all available information to ensure the company has adequate resources to continue in operational existence for at least 12 months from the approval of these financial statements. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

During the period, unprecedented uncertainties arose from the global impact of the COVID-19 pandemic, national lockdown restrictions and negotiations surrounding the UK's exit from the European Union. These factors resulted in a substantial reduction in turnover which resulted in a loss-making position for the year ended 31 October 2020. During the year, the directors therefore took proactive steps to secure funding available to the group to overcome such times of uncertainty, including a CBILS loan and utilising the Coronavirus Job Retention Scheme.

After reviewing the groups latest management information, future forecasts and making enquiries relating to the banking facilities available to the group, the directors are confident that the business has positioned itself well to evolve out of the COVID-19 pandemic with a strong future.

The groups bank, HSEC, has confirmed that the invoice financing facility will continue beyond the current approval date of May 2022 subject to continued satisfactory ongoing ledger control. The directors are therefore satisfied that the cash forecasts for the company continue to remain strong for at least 12 months from the approval of these financial statements, enabling the company to meet its liabilities as they fall due.

For the reasons set out above, the directors have prepared the financial statements on a going concern basis and have concluded that there are no material uncertainties relating to going concern.

### **Events after the reporting date**

There are no significant events after the reporting period to report.

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

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

**FOR THE YEAR ENDED 31 OCTOBER 2020**

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### **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 company has secured contracts for the supply of fully machined and assembled castings on a tier 1 basis to a number of major automotive OEM's. However, due to the impact of COVID-19 production start dates have now been delayed until the middle of 2021 in most cases. This means that the majority of these new contracts will now commence full production during the final quarter of 2021 and from then on will generate significantly higher levels of sales for the following 5 years.

To support this new business increased capacity will be required across a range of operational processes. The company is currently finalising its capital expenditure investment programme, which includes new CNC machining cells, automated washing equipment and additional automated high pressure die casting plant.

Despite the devastating impact of COVID-19 on the economy in 2020, the Board is confident that its solid foundation will continue to support the company and subsequently also allow us to take advantage of additional opportunities that may arise as the economy starts to open back up and show signs of growth.

### **Auditor**

Azets Audit Services were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### **Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of principle risks and uncertainties and financial instruments.

### **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.

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

**DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 OCTOBER 2020***

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On behalf of the board

Mr I M Timings

**Director**

26 August 2021



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

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 OCTOBER 2020***

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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 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 2020 and of its loss 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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: <https://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.

**Laura Hinsley FCCA (Senior Statutory Auditor)**  
**for and on behalf of Azets Audit Services**

**Statutory Auditor**

27 August 2021

6th Floor, Bank House  
8 Cherry Street  
Birmingham  
United Kingdom  
B2 5AL

# J. H. LAVENDER & COMPANY LTD

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2020

|   |          | 2020        | 2019             |
|---|----------|-------------|------------------|
|   | Notes    | £           | as restated<br>£ |
| <b>Turnover</b>                             | <b>3</b> | 5,031,588   | 8,353,306        |
| Cost of sales                               |          | (5,081,293) | (6,948,227)      |
| <b>Gross (loss)/profit</b>                  |          | (49,705)    | 1,405,079        |
| Administrative expenses                     |          | (1,418,452) | (1,331,998)      |
| Other operating income                      | <b>3</b> | 653,743     | 59,416           |
| <b>Operating (loss)/profit</b>              | <b>4</b> | (814,414)   | 132,497          |
| Interest receivable and similar income      | <b>7</b> | 39,363      | 360              |
| Interest payable and similar expenses       | <b>8</b> | (66,454)    | (86,133)         |
| <b>(Loss)/profit before taxation</b>        |          | (841,505)   | 46,724           |
| Tax on (loss)/profit                        | <b>9</b> | 404,061     | 266,499          |
| <b>(Loss)/profit for the financial year</b> |          | (437,444)   | 313,223          |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 13 - 28 form part of these financial statements

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

**STATEMENT OF COMPREHENSIVE INCOME**

***FOR THE YEAR ENDED 31 OCTOBER 2020***

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|  | 2020             | 2019             |
|--|------------------|------------------|
|  | £                | as restated<br>£ |
| (Loss)/profit for the year                                   | (437,444)        | 313,223          |
| Other comprehensive income                                   | -                | -                |
| <b>Total comprehensive income/(expenditure) for the year</b> | <u>(437,444)</u> | <u>313,223</u>   |

The notes on pages 13 - 28 form part of these financial statements

# J. H. LAVENDER & COMPANY LTD

## BALANCE SHEET

AS AT 31 OCTOBER 2020

|  |       | 2020               |                  | 2019               |                  |
|--|-------|--------------------|------------------|--------------------|------------------|
|  | Notes | £                  | £                | as restated        | £                |
| <b>Fixed assets</b>  |       |                    |                  |                    |                  |
| Tangible assets  | 11    |                    | 3,372,833        |                    | 3,545,921        |
| <b>Current assets</b>  |       |                    |                  |                    |                  |
| Stocks   | 12    | 1,536,167          |                  | 951,152            |                  |
| Debtors  | 13    | 1,507,805          |                  | 3,336,541          |                  |
| Cash at bank and in hand                                       |       | 5,155              |                  | 188                |                  |
|  |       | <u>3,049,127</u>   |                  | <u>4,287,881</u>   |                  |
| <b>Creditors: amounts falling due within one year</b>          | 14    | <u>(2,095,977)</u> |                  | <u>(4,000,689)</u> |                  |
| <b>Net current assets</b>                                      |       |                    | 953,150          |                    | 287,192          |
| <b>Total assets less current liabilities</b>                   |       |                    | 4,325,983        |                    | 3,833,113        |
| <b>Creditors: amounts falling due after more than one year</b> | 15    |                    | (1,329,529)      |                    | (248,991)        |
| <b>Provisions for liabilities</b>                              | 18    |                    | (250,078)        |                    | (400,302)        |
| <b>Net assets</b>  |       |                    | <u>2,746,376</u> |                    | <u>3,183,820</u> |
| <b>Capital and reserves</b>                                    |       |                    |                  |                    |                  |
| Called up share capital  | 21    |                    | 1,000            |                    | 1,000            |
| Profit and loss reserves                                       |       |                    | 2,745,376        |                    | 3,182,820        |
| <b>Total equity</b>  |       |                    | <u>2,746,376</u> |                    | <u>3,183,820</u> |

The financial statements were approved by the board of directors and authorised for issue on 26 August 2021 and are signed on its behalf by:

Mr I M Timings  
Director

Company Registration No. 02999887

The notes on pages 13 - 28 form part of these financial statements

# J. H. LAVENDER & COMPANY LTD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2020

|  | Notes | Share capital<br>£ | Profit and<br>loss reserves<br>£ | Total<br>£ |
|--|-------|--------------------|----------------------------------|------------|
| <b>As restated for the period ended 31 October 2019:</b>           |       |                    |                                  |            |
| <b>Balance at 1 November 2018</b>                                  |       | 1,000              | 3,106,234                        | 3,107,234  |
| Prior period adjustment  |       | -                  | (145,977)                        | (145,977)  |
| <b>As restated</b>   |       | 1,000              | 2,960,257                        | 2,961,257  |
| <b>Year ended 31 October 2019:</b>                                 |       |                    |                                  |            |
| Profit and total comprehensive income for the year                 |       | -                  | 313,223                          | 313,223    |
| Dividends  | 10    | -                  | (90,660)                         | (90,660)   |
| <b>Balance at 31 October 2019 as restated</b>                      |       | 1,000              | 3,182,820                        | 3,183,820  |
| <b>Year ended 31 October 2020:</b>                                 |       |                    |                                  |            |
| Loss and total comprehensive income for the year                   |       | -                  | (437,444)                        | (437,444)  |
| <b>Balance at 31 October 2020</b>                                  |       | 1,000              | 2,745,376                        | 2,746,376  |
| The notes on pages 13 - 28 form part of these financial statements |       |                    |                                  |            |

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

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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, United Kingdom, 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.

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

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

The financial statements of the company are consolidated in the financial statements of J.H. Lavender (Holdings) Ltd. These consolidated financial statements are available from its registered office, Hall Green Works, Crankhall Lane, West Bromwich, West Midlands, B71 3JZ.



# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 1 Accounting policies

(Continued)

#### 1.2 Going concern

At the time of approving these financial statements, the directors have considered all available information to ensure the company has adequate resources to continue in operational existence for at least 12 months from the approval of these financial statements. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

During the period, unprecedented uncertainties arose from the global impact of the COVID-19 pandemic, national lockdown restrictions and negotiations surrounding the UK's exit from the European Union. These factors resulted in a substantial reduction in turnover which resulted in a loss-making position for the year ended 31 October 2020. During the year, the directors therefore took proactive steps to secure funding available to the group to overcome such times of uncertainty, including a CBILS loan and utilising the Coronavirus Job Retention Scheme.

After reviewing the groups latest management information, future forecasts and making enquiries relating to the banking facilities available to the group, the directors are confident that the business has positioned itself well to evolve out of the COVID-19 pandemic with a strong future.

The groups bank, HSBC, has confirmed that the invoice financing facility will continue beyond the current approval date of May 2022 subject to continued satisfactory ongoing ledger control. The directors are therefore satisfied that the cash forecasts for the company continue to remain strong for at least 12 months from the approval of these financial statements, enabling the company to meet its liabilities as they fall due.

For the reasons set out above, the directors have prepared the financial statements on a going concern basis and have concluded that there are no material uncertainties relating to going concern.

#### 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 2020

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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 low of cost and net realisable value, being the estimated selling price less costs to complete and sell. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bring the stocks to their present location and condition. Work in progress, where applicable, include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. Any impairment loss is recognised immediately in profit or loss.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents 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 2020

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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 2020

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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 2020**

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### **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 profit or loss 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 profit or loss 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 leased 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.

Government grants relating to the Coronavirus Job Retention Scheme are also recognised in other operating income when it is reasonable that the grant conditions will be met and the grants will be received.

#### **1.15 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### **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

#### **Key judgement**

During the year, management have undertaken an in-depth review of plant and machinery held by the company. This review identified numerous items of plant and machinery which were not identifiable since 1 November 2018, some of which were from historic balances pre 2002. These assets had a cost of £839,818 and accumulated depreciation as at 1 November 2018 of £659,599, resulting in a loss on disposal of £180,219 which has been treated as a prior period error prior to 1 November 2018. See note 26 for further details.

## J. H. LAVENDER & COMPANY LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

#### 3 Turnover and other revenue

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

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| <b>Turnover analysed by class of business</b> |           |           |
| Principal activity                            | 5,031,588 | 8,353,306 |

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| <b>Turnover analysed by geographical market</b> |           |           |
| United Kingdom                                  | 3,699,562 | 6,107,446 |
| Europe  | 1,322,073 | 2,212,724 |
| United States of America                        | 462       | 1,495     |
| South America                                   | 9,491     | 31,641    |
|   | 5,031,588 | 8,353,306 |

|  | 2020<br>£ | 2019<br>£ |
|--|-----------|-----------|
| <b>Other operating income</b>                      |           |           |
| Interest income                                    | 39,363    | 360       |
| Government grants received                         | 59,386    | 59,416    |
| Grants received - Coronavirus job retention scheme | 594,707   | -         |

#### 4 Operating (loss)/profit

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| Operating (loss)/profit for the year is stated after charging/(crediting):                |           |           |
| Government grants   | (654,093) | (59,416)  |
| Fees payable to the company's auditor for the audit of the company's financial statements | 8,645     | 11,740    |
| Depreciation of owned tangible fixed assets   | 292,010   | 312,513   |
| Depreciation of tangible fixed assets held under finance leases                           | 30,093    | 16,853    |
| Operating lease charges   | 10,683    | 12,518    |

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 5 Employees

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

|                               | 2020<br>Number | 2019<br>Number |
|-------------------------------|----------------|----------------|
| Production staff              | 52             | 55             |
| Management and administration | 22             | 21             |
| Directors                     | 4              | 4              |
| Total                         | 78             | 80             |

Their aggregate remuneration comprised:

|                       | 2020<br>£ | 2019<br>£ |
|-----------------------|-----------|-----------|
| Wages and salaries    | 2,457,535 | 2,637,599 |
| Social security costs | 253,114   | 274,800   |
| Pension costs         | 140,553   | 135,231   |
|                       | 2,851,202 | 3,047,630 |

### 6 Directors' remuneration

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| Remuneration for qualifying services                          | 387,129   | 322,740   |
| Company pension contributions to defined contribution schemes | 27,368    | 23,596    |
|   | 414,497   | 346,336   |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

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

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| Remuneration for qualifying services                          | 191,181   | 181,399   |
| Company pension contributions to defined contribution schemes | 19,988    | 19,906    |

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 7 Interest receivable and similar income

|                           | 2020          | 2019       |
|---------------------------|---------------|------------|
|                           | £             | £          |
| <b>Interest income</b>    |               |            |
| Interest on bank deposits | 70            | 360        |
| Finance income - CBILS    | 39,293        |            |
|                           | <u>39,363</u> | <u>360</u> |
| <b>Total income</b>       | <u>39,363</u> | <u>360</u> |

On initial recognition of the CBILS loan the difference between the amount of cash received and the present value of future payments discounted at a market rate of interest, has been shown as finance income. This figure (£39,363) represents the present value of interest being paid for by the government via business interruption payments.

### 8 Interest payable and similar expenses

|  | 2020          | 2019          |
|--|---------------|---------------|
|  | £             | £             |
| Interest on bank overdrafts and loans                  | 32,223        | 25,977        |
| Interest on invoice finance arrangements               | 24,703        | 42,865        |
| Interest on finance leases and hire purchase contracts | 4,307         | 14,299        |
| Other interest   | 5,221         | 2,992         |
|  | <u>66,454</u> | <u>86,133</u> |

### 9 Taxation

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | £                | £                |
| <b>Current tax</b>                             |                  |                  |
| Adjustments in respect of prior periods        | (253,837)        | (232,158)        |
|  | <u></u>          | <u></u>          |
| <b>Deferred tax</b>                            |                  |                  |
| Origination and reversal of timing differences | (2,410)          | 20,102           |
| Tax losses carried forward                     | (147,814)        | (54,443)         |
|  | <u>(150,224)</u> | <u>(34,341)</u>  |
| <b>Total deferred tax</b>                      | <u>(150,224)</u> | <u>(34,341)</u>  |
| <b>Total tax credit</b>                        | <u>(404,061)</u> | <u>(266,499)</u> |



# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 9 Taxation

(Continued)

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

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| (Loss)/profit before taxation   | (841,505) | 46,724    |
| Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 019% (2019: 19.00%) | (159,886) | 8,878     |
| Tax effect of expenses that are not deductible in determining taxable profit                                | 4,231     | 4,355     |
| Tax effect of income not taxable in determining taxable profit  | (11,289)  | (11,289)  |
| Adjustments in respect of prior years   | (237,117) | (268,443) |
| Taxation credit for the year  | (404,061) | (266,499) |

### 10 Dividends

|            | 2020<br>£ | 2019<br>£ |
|------------|-----------|-----------|
| Final paid | -         | 90,660    |

### 11 Tangible fixed assets

|                                    | Plant and fixtures, fittings<br>machinery & equipment | Computer<br>equipment | Motor vehicles | Total     |
|------------------------------------|---|-----------------------|----------------|-----------|
|                                    | £   | £                     | £              | £         |
| <b>Cost</b>                        |   |                       |                |           |
| At 1 November 2019 (as restated)   | 7,589,183   | 63,098                | 305,274        | 8,053,934 |
| Additions                          | 142,110   | 245                   | 6,660          | 149,015   |
| At 31 October 2020                 | 7,731,293   | 63,343                | 311,934        | 8,202,949 |
| <b>Depreciation and impairment</b> |   |                       |                |           |
| At 1 November 2019 (as restated)   | 4,146,368   | 54,013                | 257,767        | 4,508,013 |
| Depreciation charged in the year   | 279,612   | 3,103                 | 23,885         | 322,103   |
| At 31 October 2020                 | 4,425,980   | 57,116                | 281,652        | 4,830,116 |
| <b>Carrying amount</b>             |   |                       |                |           |
| At 31 October 2020                 | 3,305,313   | 6,227                 | 30,282         | 3,372,833 |
| At 31 October 2019 (as restated)   | 3,442,815   | 9,085                 | 47,507         | 3,545,921 |

## J. H. LAVENDER & COMPANY LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

#### 11 Tangible fixed assets

(Continued)

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

|                     | 2020<br>£      | 2019<br>£      |
|---------------------|----------------|----------------|
| Plant and machinery | 268,090        | 291,402        |
| Motor vehicles      | 13,564         | 20,345         |
|                     | <u>281,654</u> | <u>311,747</u> |

#### 12 Stocks

|                               | 2020<br>£        | 2019<br>£      |
|-------------------------------|------------------|----------------|
| Raw materials and consumables | 38,839           | 20,761         |
| Work in progress              | 1,497,328        | 930,391        |
|                               | <u>1,536,167</u> | <u>951,152</u> |

Stocks are shown net of a provision of nil (2019: nil)

#### 13 Debtors

|   | 2020<br>£        | 2019<br>£        |
|---|------------------|------------------|
| <b>Amounts falling due within one year:</b> |                  |                  |
| Trade debtors                               | 1,278,399        | 2,109,343        |
| Corporation tax recoverable                 | -                | 170,086          |
| Amounts owed by group undertakings          | 165,204          | 982,598          |
| Other debtors                               | 1,908            | 6,000            |
| Prepayments and accrued income              | 62,294           | 68,514           |
|   | <u>1,507,805</u> | <u>3,336,541</u> |

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Included in the above trade debtors figure are balances totalling £1,123,595 (2019: £1,667,223) 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 £297,924 (2019: £1,502,695).

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

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

**FOR THE YEAR ENDED 31 OCTOBER 2020**

### **14 Creditors: amounts falling due within one year**

|                                  | Notes | 2020<br>£        | 2019<br>£        |
|----------------------------------|-------|------------------|------------------|
| Bank loans and overdrafts        | 16    | 475,898          | 2,338,423        |
| Obligations under finance leases | 17    | 46,700           | 59,378           |
| Trade creditors                  |       | 1,162,854        | 1,272,988        |
| Taxation and social security     |       | 64,819           | 202,067          |
| Government grants                | 19    | 50,116           | 59,416           |
| Other creditors                  |       | 16,778           | 17,228           |
| Accruals and deferred income     |       | 278,812          | 51,189           |
|                                  |       | <u>2,095,977</u> | <u>4,000,689</u> |

### **15 Creditors: amounts falling due after more than one year**

|                                  | Notes | 2020<br>£        | 2019<br>£      |
|----------------------------------|-------|------------------|----------------|
| Bank loans and overdrafts        | 16    | 1,157,365        | -              |
| Obligations under finance leases | 17    | 12,207           | 38,918         |
| Government grants                | 19    | 159,957          | 210,073        |
|                                  |       | <u>1,329,529</u> | <u>248,991</u> |

Amounts included above which fall due after five years are as follows:

|                        |                |          |
|------------------------|----------------|----------|
| Payable by instalments | 133,333        | -        |
|                        | <u>133,333</u> | <u>-</u> |

### **16 Loans and overdrafts**

|                         | 2020<br>£        | 2019<br>£        |
|-------------------------|------------------|------------------|
| Bank loans              | 1,633,263        | 2,252,695        |
| Bank overdrafts         | -                | 85,728           |
|                         | <u>1,633,263</u> | <u>2,338,423</u> |
| Payable within one year | 475,898          | 2,338,423        |
| Payable after one year  | <u>1,157,365</u> | <u>-</u>         |

## J. H. LAVENDER & COMPANY LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

#### 16 Loans and overdrafts

(Continued)

##### 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, a legal assignment of contract monies, with HSBC Bank Plc, dated 10/07/2012 and a chattels mortgage, against certain machinery, with HSBC Equipment Finance (UK) Ltd, dated 16/01/2020.

The CBILS loan is also covered by a guarantee in favour of HSBC UK Bank plc given by the directors guaranteeing all liabilities, limited to £100,000 in total.

The CBILS loan has an initial repayment free period of 12 months from the date the loan is drawn. It is then repayable by equal instalments over 60 months with an interest rate of 3.99% per annum over the BoE base rate.

#### 17 Finance lease obligations

|   | 2020          | 2019           |
|---|---------------|----------------|
|   | £             | £              |
| Future minimum lease payments due under finance leases: |               |                |
| Within one year   | 51,808        | 65,420         |
| In two to five years                                    | 14,398        | 43,924         |
|   | <u>66,206</u> | <u>109,344</u> |
| Less: future finance charges                            | (7,299)       | (11,048)       |
|   | <u>58,907</u> | <u>98,296</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 2020

### 18 Provisions for Liabilities

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<br>2020<br>£ | Liabilities<br>2019<br>£ |
|--------------------------------|--------------------------|--------------------------|
| <b>Balances:</b>               |                          |                          |
| Accelerated capital allowances | 485,807                  | 488,217                  |
| Tax losses                     | (235,729)                | (87,915)                 |
|                                | <u>250,078</u>           | <u>400,302</u>           |
|                                |                          | <b>2020</b>              |
| <b>Movements in the year:</b>  |                          | <b>£</b>                 |
| Liability at 1 November 2019   |                          | 400,302                  |
| Credit to profit or loss       |                          | (150,224)                |
|                                |                          | <u>250,078</u>           |
| Liability at 31 October 2020   |                          | <u>250,078</u>           |

The opening deferred tax liability arising on accelerated capital allowances has been restated from £522,459 to £488,217. This has arisen due to the impact of the prior period adjustment in respect of fixed assets.

### 19 Government grants

|   | 2020<br>£      | 2019<br>£      |
|---|----------------|----------------|
| Arising from government grants                                      | 210,073        | 269,489        |
|   | <u>210,073</u> | <u>269,489</u> |
| Deferred income is included in the financial statements as follows: |                |                |
| Current liabilities   | 50,116         | 59,416         |
| Non-current liabilities   | 159,957        | 210,073        |
|   | <u>210,073</u> | <u>269,489</u> |

### 20 Retirement benefit schemes

|   | 2020<br>£      | 2019<br>£      |
|---|----------------|----------------|
| <b>Defined contribution schemes</b>                                 |                |                |
| Charge to profit or loss in respect of defined contribution schemes | 140,553        | 135,231        |
|   | <u>140,553</u> | <u>135,231</u> |

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.

## J. H. LAVENDER & COMPANY LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

#### 21 Share capital

|   | 2020<br>Number    | 2019<br>Number    | 2020<br>£         | 2019<br>£         |
|---|-------------------|-------------------|-------------------|-------------------|
| Ordinary share capital<br>Issued and fully paid |                   |                   |                   |                   |
| Ordinary shares of £1 each                      | 1,000             | 1,000             | 1,000             | 1,000             |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

#### 22 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:

|                            | 2020<br>£     | 2019<br>£     |
|----------------------------|---------------|---------------|
| Within one year            | 35,378        | 42,987        |
| Between two and five years | 23,589        | 43,800        |
|                            | <u>58,967</u> | <u>86,787</u> |

#### 23 Events after the reporting date

There are no significant events after the reporting period to report.

#### 24 Related party transactions

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.

#### 25 Ultimate controlling party

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

The directors of J. H. Lavender (Holdings) 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 & Company Ltd is consolidated into J. H. Lavender (Holdings) Ltd group accounts.

# J. H. LAVENDER & COMPANY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 26 Prior period adjustment

#### Reconciliation of changes in equity

|   |       | 1 November<br>2018<br>£ | 31 October<br>2019<br>£ |
|---|-------|-------------------------|-------------------------|
|   | Notes |                         |                         |
| <b>Adjustments to prior year</b>                                  |       |                         |                         |
| Disposal of assets - Plant and machinery cost                     | 1     | (839,818)               | (839,818)               |
| Disposal of assets - Plant and machinery accumulated depreciation | 1     | 659,599                 | 659,599                 |
| Disposal of assets - unwind 2019 depreciation of disposed assets  | 1     | -                       | 14,429                  |
| Disposal of asset - effect on deferred taxation                   |       | 34,242                  | 34,242                  |
| Total adjustments   |       | (145,977)               | (131,548)               |
| Equity as previously reported                                     |       | 3,107,234               | 3,315,368               |
| Equity as adjusted  |       | 2,961,257               | 3,183,820               |

#### Reconciliation of changes in profit for the previous financial period

|   |       | 2019<br>£ |
|---|-------|-----------|
|   | Notes |           |
| <b>Adjustments to prior year</b>                                  |       |           |
| Disposal of assets - Plant and machinery cost                     | 1     | -         |
| Disposal of assets - Plant and machinery accumulated depreciation | 1     | -         |
| Disposal of assets - unwind 2019 depreciation of disposed assets  | 1     | 14,429    |
| Profit as previously reported                                     |       | 298,794   |
| Profit as adjusted  |       | 313,223   |

#### Notes to reconciliation

##### 1) Disposal of assets pre 31 October 2018

During the year, management have undertaken an in-depth review of plant and machinery held by the company. This review identified numerous items of plant and machinery which were not identifiable since 1 November 2018, some of which were from historic balances pre 2002. These assets had a cost of £839,818 and accumulated depreciation as at 1 November 2018 of £659,599, resulting in a loss on disposal of £180,219 which has been treated as a prior period error prior to 1 November 2018.

Depreciation of £14,429 subsequently charged in 31 October 2019 has also been removed as a 2019 prior period adjustment.

Deferred tax reversing due to the disposal of assets amounting to £34,242 has also been adjusted for at 31 October 2018.

The overall effect on reserves brought forward as at 1 November 2019 is a reduction in equity of £131,548.

In addition the deferred tax liability arising on accelerated capital allowances has been restated from £522,459 to £485,807 in the 2019 year. This has arisen due to the impact of the prior period adjustment in respect of fixed assets.

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