

Registration number: 03006740

Avon Group Manufacturing (Holdings) Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2019



Avon Group Manufacturing (Holdings) Limited

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Avon Group Manufacturing (Holdings) Limited

Company Information

Directors M A Rushin
A R Patel
K Harrop
M Lewis

Company secretary A R Patel

Registered office The Avon Building
Units 137 - 145 South Liberty Lane
Bedminster
Bristol
BS3 2TL

Solicitors Star Legal
11 Great George Street
Clifton
Bristol
BS1 5RR

Bankers Barclays Bank Plc
Corporate Banking
4th Floor
Bridgwater House
Finzels Reach
Counterslip
Bristol
BS1 6BX

Auditors Burton Sweet
Cooper House
Lower Charlton Estate
Shepton Mallet
Somerset
BA4 5QE

Avon Group Manufacturing (Holdings) Limited

Strategic Report

Year Ended 31 March 2019

The directors present their strategic report for the year ended 31 March 2019.

Principal activity

The principal activity of the company during the year was that of a holding company of an engineering Sealing Solutions business.

Fair review of the business

The directors are pleased to report continued growth generating cash to enable the Group to repay all its external borrowings shortly after the year end.

The year under consideration has continued to be dominated by external factors. The decision to opt out of the European Union continues to have a material effect on the exchange rate with most currencies on top of the uncertainty in the market which has led to delays in new projects. The Group purchases significant amounts that are denominated in either euros or US Dollars and the weakened sterling has materially impacted our gross margin. The Group did benefit from internal efficiencies which offset some of the Foreign exchange rate effect.

During the year, the Group continued with its capital expenditure in new Plant and machines and Plant modernisation programme.

The Group has strong ambitions for continued growth in both its existing business areas and in developing and widening its product and service offering. The Management team is both strong and able to develop and implement the thinking required to sustain our plans for profitable growth despite the year ahead is expected to be challenging. As the Group is now materially debt free, it is a strong position, financially, to target and achieve its growth plan.

With its knowledgeable and motivated workforce, the Group has and continues to secure new contracts from existing and new customers.

The Directors and senior management team continues to review the effectiveness of the Group based on a number of internal and external factors together with detailed management data and comparison with budgets.

The Directors review and monitor profit margins and working capital controls to ensure the Group remains both competitive and financially strong.

In year ended 31st March 2019, the Group increased its revenue to £64m (2018 £62m). The planned increase was substantially bigger but the external factors contrived to restrict the growth.

Avon Group Manufacturing (Holdings) Limited
Strategic Report
Year Ended 31 March 2019

Principal risks and uncertainties

The Group operates in a challenging environment which has many risks and uncertainties examples of some of the main risks are noted below:

Fluctuations in foreign currency exchange rates affecting operational results or the outcomes of financial transactions.

If the products, services and pricing do not remain competitive, this could result in the loss of market share, with attendant impact on long term performance.

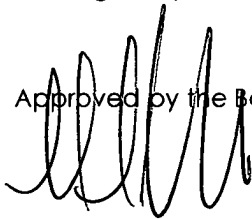
Product performance not meeting expectations affecting safety and reliability with adverse long-term financial consequences,

Disruption of the supply chain due to external factors or failure to deliver parts to committed costs and quality reducing the ability to meet customer commitments, win future business or achieve operational results.

Failure to execute the programme to modernise infrastructure impacting efficiency and effectiveness of business operations.

Failure to minimise the environmental impact of the Group's products and operations leading to reputational damage and ultimately, loss of market share.

Approved by the Board on 30.10.19 and signed on its behalf by:



M A Rushin
Director

Avon Group Manufacturing (Holdings) Limited

Directors' Report

Year Ended 31 March 2019

The directors present their report and the for the year ended 31 March 2019.

Directors of the group

The directors who held office during the year were as follows:

M A Rushin

A R Patel

K Harrop

M Lewis

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Avon Group Manufacturing (Holdings) Limited

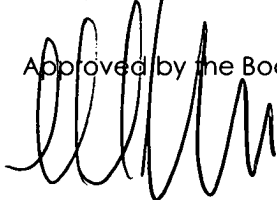
Directors' Report

Year Ended 31 March 2019

Reappointment of auditors

The auditors Burton Sweet are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 30.10.19 and signed on its behalf by:



M A Rushin
Director

Avon Group Manufacturing (Holdings) Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Avon Group Manufacturing (Holdings) Limited

Independent Auditor's Report to the Members of Avon Group Manufacturing (Holdings) Limited

Opinion

We have audited the financial statements of Avon Group Manufacturing (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Avon Group Manufacturing (Holdings) Limited

Independent Auditor's Report to the Members of Avon Group Manufacturing (Holdings) Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

Avon Group Manufacturing (Holdings) Limited

Independent Auditor's Report to the Members of Avon Group Manufacturing (Holdings) Limited

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Avon Group Manufacturing (Holdings) Limited

Independent Auditor's Report to the Members of Avon Group Manufacturing (Holdings) Limited

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

.....
Neil Kingston FCA (Senior Statutory Auditor)
For and on behalf of Burton Sweet, Statutory Auditor

Cooper House
Lower Charlton Estate
Shepton Mallet
Somerset
BA4 5QE

Date: 30.10.19

Avon Group Manufacturing (Holdings) Limited
Consolidated Profit and Loss Account
Year Ended 31 March 2019

	Note	2019 £	2018 £
Turnover	4	63,571,594	62,521,435
Cost of sales		<u>(43,583,371)</u>	<u>(41,726,908)</u>
Gross profit		19,988,223	20,794,527
Distribution costs		(1,643,621)	(1,595,116)
Administrative expenses		(11,192,452)	(12,920,907)
Other operating income	6	<u>9,380</u>	<u>4,970</u>
Operating profit		<u>7,161,530</u>	<u>6,283,474</u>
Other interest receivable and similar income	8	186	118
Interest payable and similar charges	9	<u>(170,355)</u>	<u>(141,716)</u>
		<u>(170,169)</u>	<u>(141,598)</u>
Profit before tax		6,991,361	6,141,876
Taxation	13	<u>(1,157,979)</u>	<u>(1,304,711)</u>
Profit for the financial year		<u>5,833,382</u>	<u>4,837,165</u>
Profit/(loss) attributable to:			
Owners of the company		<u>5,833,382</u>	<u>4,837,165</u>

The group has no recognised gains or losses for the year other than the results above.

The notes on pages 19 to 37 form an integral part of these financial statements.

Avon Group Manufacturing (Holdings) Limited
Consolidated Statement of Comprehensive Income
Year Ended 31 March 2019

	Note	2019 £	2018 £
Profit for the year		<u>5,833,382</u>	<u>4,837,165</u>
Total comprehensive income for the year		<u>5,833,382</u>	<u>4,837,165</u>
Total comprehensive income attributable to:			
Owners of the company		<u>5,833,382</u>	<u>4,837,165</u>

The notes on pages 19 to 37 form an integral part of these financial statements.

Avon Group Manufacturing (Holdings) Limited**(Registration number: 03006740)****Consolidated Balance Sheet as at 31 March 2019**

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	14	5,548,595	5,793,915
Tangible assets	15	16,853,143	16,278,634
Investment property	16	<u>1,530,610</u>	<u>364,000</u>
		<u>23,932,348</u>	<u>22,436,549</u>
Current assets			
Stocks	18	4,523,853	4,932,753
Debtors	19	14,745,019	15,317,200
Cash at bank and in hand		<u>555,361</u>	<u>1,766,385</u>
		19,824,233	22,016,338
Creditors: Amounts falling due within one year	22	<u>(25,877,142)</u>	<u>(25,865,199)</u>
Net current liabilities		<u>(6,052,909)</u>	<u>(3,848,861)</u>
Total assets less current liabilities		17,879,439	18,587,688
Creditors: Amounts falling due after more than one year	22	-	(2,000,000)
Provisions for liabilities		<u>(456,014)</u>	<u>(420,645)</u>
Net assets		<u>17,423,425</u>	<u>16,167,043</u>
Capital and reserves			
Called up share capital	24	10,000	10,000
Share premium reserve		389,000	389,000
Revaluation reserve		298,933	298,933
Other reserves		(45,702)	(45,702)
Retained earnings		<u>16,771,194</u>	<u>15,514,812</u>
Equity attributable to owners of the company		<u>17,423,425</u>	<u>16,167,043</u>
Total equity		<u>17,423,425</u>	<u>16,167,043</u>

Approved and authorised by the Board on 30.10.19 and signed on its behalf by:

M A Rushin

Director

The notes on pages 19 to 37 form an integral part of these financial statements.

Avon Group Manufacturing (Holdings) Limited**(Registration number: 03006740)****Balance Sheet****31 March 2019**

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	15	6,738	8,162
Investments	17	24,219,297	24,219,298
		<u>24,226,035</u>	<u>24,227,460</u>
Current assets			
Debtors	19	1,020,416	1,961,720
Cash at bank and in hand		71,182	78,718
		1,091,598	2,040,438
Creditors: Amounts falling due within one year	22	(19,197,472)	(14,991,180)
Net current liabilities		<u>(18,105,874)</u>	<u>(12,950,742)</u>
Total assets less current liabilities		6,120,161	11,276,718
Creditors: Amounts falling due after more than one year	22	-	(2,000,000)
Provisions for liabilities		<u>(375)</u>	<u>(302)</u>
Net assets		<u>6,119,786</u>	<u>9,276,416</u>
Capital and reserves			
Called up share capital		10,000	10,000
Share premium reserve		389,000	389,000
Retained earnings		<u>5,720,786</u>	<u>8,877,416</u>
Total equity		<u>6,119,786</u>	<u>9,276,416</u>

The company made a profit after tax for the financial year of £1,420,371 (2018 - profit of £5,366,810).

Approved and authorised by the Board on 30.10.19 and signed on its behalf by:

M A Rushin

Director

The notes on pages 19 to 37 form an integral part of these financial statements.

Avon Group Manufacturing (Holdings) Limited
Consolidated Statement of Changes in Equity
Year Ended 31 March 2019
Equity attributable to the parent company

	Share capital £	Share premium £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £	Total equity £
At 1 April 2018	10,000	389,000	298,933	(45,702)	15,514,812	16,167,043	16,167,043
Profit for the year	-	-	-	-	5,833,382	5,833,382	5,833,382
Total comprehensive income	-	-	-	-	5,833,382	5,833,382	5,833,382
Dividends	-	-	-	-	(4,577,000)	(4,577,000)	(4,577,000)
At 31 March 2019	10,000	389,000	298,933	(45,702)	16,771,194	17,423,425	17,423,425
	Share capital £	Share premium £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £	Total equity £
At 1 April 2017	10,000	389,000	298,933	(45,702)	11,682,647	12,334,878	12,334,878
Profit for the year	-	-	-	-	4,837,165	4,837,165	4,837,165
Total comprehensive income	-	-	-	-	4,837,165	4,837,165	4,837,165
Dividends	-	-	-	-	(1,005,000)	(1,005,000)	(1,005,000)
At 31 March 2018	10,000	389,000	298,933	(45,702)	15,514,812	16,167,043	16,167,043

The notes on pages 19 to 37 form an integral part of these financial statements.

Avon Group Manufacturing (Holdings) Limited
Statement of Changes in Equity
Year Ended 31 March 2019

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2018	10,000	389,000	8,877,415	9,276,415
Profit for the year	-	-	1,420,371	1,420,371
Total comprehensive income	-	-	1,420,371	1,420,371
Dividends	-	-	(4,577,000)	(4,577,000)
At 31 March 2019	10,000	389,000	5,720,786	6,119,786
	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2017	10,000	389,000	4,515,606	4,914,606
Profit for the year	-	-	5,366,810	5,366,810
Total comprehensive income	-	-	5,366,810	5,366,810
Dividends	-	-	(1,005,000)	(1,005,000)
At 31 March 2018	10,000	389,000	8,877,416	9,276,416

The notes on pages 19 to 37 form an integral part of these financial statements.

Avon Group Manufacturing (Holdings) Limited
Consolidated Statement of Cash Flows
Year Ended 31 March 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit for the year		5,833,382	4,837,165
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	7	2,147,986	1,955,800
Loss/(profit) on disposal of property plant and equipment	5	120,938	(34,773)
Loss from disposals of investments	5	-	26,553
Finance income	8	(186)	(118)
Finance costs	9	170,355	138,729
Corporation tax expense	13	1,157,979	1,304,711
		<u>9,430,454</u>	<u>8,228,067</u>
Working capital adjustments			
Decrease/(increase) in inventories	18	408,900	(1,068,857)
Decrease in trade and other receivables	19	564,387	4,426,311
Increase/(decrease) in trade and other payables	22	1,973,858	(2,896,226)
Cash generated from operations		12,377,599	8,689,295
Corporation tax paid	13	(998,376)	(1,907,771)
Net cash flow from operating activities		<u>11,379,223</u>	<u>6,781,524</u>
Cash flows from investing activities			
Interest received		186	118
Acquisitions of property plant and equipment		(2,746,155)	(5,296,801)
Proceeds from sale of property plant and equipment		248,041	145,287
Acquisition of intangible assets	14	(100,000)	(5,404,468)
Acquisition of investment properties	16	(1,166,610)	(195,000)
Net cash flows from investing activities		<u>(3,764,538)</u>	<u>(10,750,864)</u>
Cash flows from financing activities			
Interest paid	9	(170,355)	(141,717)
Proceeds from bank borrowing draw downs		-	8,000,000
Repayment of bank borrowing		(4,000,000)	(2,000,000)
Payments to finance lease creditors		-	(274,476)
Dividends paid		(4,577,000)	(1,005,000)
Net cash flows from financing activities		<u>(8,747,355)</u>	<u>4,578,807</u>

The notes on pages 19 to 37 form an integral part of these financial statements.

Avon Group Manufacturing (Holdings) Limited
Consolidated Statement of Cash Flows
Year Ended 31 March 2019

	Note	2019 £	2018 £
Net (decrease)/increase in cash and cash equivalents		(1,132,670)	609,467
Cash and cash equivalents at 1 April		<u>1,683,615</u>	<u>1,074,148</u>
Cash and cash equivalents at 31 March		<u>550,945</u>	<u>1,683,615</u>

The notes on pages 19 to 37 form an integral part of these financial statements.

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

1 General information

The company is incorporated and domiciled in England.

The address of its registered office is:

The Avon Building
Units 137 - 145 South Liberty Lane
Bedminster
Bristol
BS3 2TL

2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

3 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Avon Group Manufacturing (Holdings) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2019.

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

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Avon Group Manufacturing (Holdings) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The group recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the group's activities.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Avon Group Manufacturing (Holdings) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold property	5% Straight line
Freehold Property	2%-5% Straight line on buildings only
Other property, plant and equipment	10-25% Straight line/15% Reducing balance
Furniture, fittings and equipment	15% Reducing balance/25% Straight line
Motor vehicles	25% Straight line
Leasehold improvements	5% Straight line

Investment property

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Avon Group Manufacturing (Holdings) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Asset class	Amortisation method and rate
Goodwill	Over its economic life

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Avon Group Manufacturing (Holdings) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Share based payments

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

4 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2019 £	2018 £
Sale of goods	<u>63,571,594</u>	<u>62,521,435</u>

The analysis of the group's turnover for the year by market is as follows:

	2019 £	2018 £
UK	50,156,166	50,143,365
Rest of world	<u>13,415,428</u>	<u>12,378,070</u>
	<u>63,571,594</u>	<u>62,521,435</u>

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

5 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2019	2018
	£	£
Gain (loss) on disposal of property, plant and equipment	<u>(120,938)</u>	<u>34,773</u>

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

6 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2019	2018
	£	£
Miscellaneous other operating income	<u>9,380</u>	<u>4,970</u>

7 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£	£
Depreciation expense	1,802,666	1,610,479
Amortisation expense	(345,320)	(345,321)
Operating lease expense - plant and machinery	13,403	(63,419)
Loss/(profit) on disposal of property, plant and equipment	<u>120,938</u>	<u>(34,773)</u>

8 Other interest receivable and similar income

	2019	2018
	£	£
Interest income on bank deposits	<u>186</u>	<u>118</u>

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on bank overdrafts and borrowings	143,568	101,760
Interest on obligations under finance leases and hire purchase contracts	-	12,398
Interest expense on other finance liabilities	24,555	24,571
Other finance costs	<u>2,232</u>	<u>2,987</u>
	<u>170,355</u>	<u>141,716</u>

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

10 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£	£
Wages and salaries	15,104,324	13,875,658
Social security costs	1,214,830	1,277,320
Pension costs, defined contribution scheme	218,301	361,348
Redundancy costs	83,901	-
Share-based payment expenses	14,394	60,816
Other employee expense	55,636	103,882
	<u>16,691,386</u>	<u>15,679,024</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Production	489	507
Administration and support	152	150
	<u>641</u>	<u>657</u>

11 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019	2018
	£	£
Remuneration	902,071	815,392
Contributions paid to money purchase schemes	40,358	128,086
	<u>942,429</u>	<u>943,478</u>

12 Auditors' remuneration

	2019	2018
	£	£
Audit of these financial statements	<u>65,386</u>	<u>63,431</u>

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

13 Corporation tax

Tax charged/(credited) in the income statement

	2019 £	2018 £
Current taxation		
UK corporation tax	1,374,322	1,567,303
UK corporation tax adjustment to prior periods	<u>(251,712)</u>	<u>(171,672)</u>
	1,122,610	1,395,631
Deferred taxation		
Arising from origination and reversal of timing differences	<u>35,369</u>	<u>(90,920)</u>
Tax expense in the income statement	<u><u>1,157,979</u></u>	<u><u>1,304,711</u></u>

14 Intangible assets

Group

	Goodwill £	Development costs £	Total £
Cost or valuation			
At 1 April 2018	7,102,065	281,042	7,383,107
Additions acquired separately	<u>100,000</u>	<u>-</u>	<u>100,000</u>
At 31 March 2019	<u>7,202,065</u>	<u>281,042</u>	<u>7,483,107</u>
Amortisation			
At 1 April 2018	1,308,150	281,042	1,589,192
Amortisation charge	<u>345,320</u>	<u>-</u>	<u>345,320</u>
At 31 March 2019	<u>1,653,470</u>	<u>281,042</u>	<u>1,934,512</u>
Carrying amount			
At 31 March 2019	<u><u>5,548,595</u></u>	<u><u>-</u></u>	<u><u>5,548,595</u></u>
At 31 March 2018	<u><u>5,793,915</u></u>	<u><u>-</u></u>	<u><u>5,793,915</u></u>

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

15 Tangible assets

Group

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Properties under construction £
Cost or valuation				
At 1 April 2018	9,113,536	1,169,329	1,204,041	50,721
Additions	231,117	354,217	278,581	-
Disposals	-	(222,407)	(363,775)	-
At 31 March 2019	<u>9,344,653</u>	<u>1,301,139</u>	<u>1,118,847</u>	<u>50,721</u>
Depreciation				
At 1 April 2018	792,366	732,297	528,774	37,295
Charge for the year	229,093	238,324	289,284	-
Eliminated on disposal	-	(86,907)	(268,895)	-
At 31 March 2019	<u>1,021,459</u>	<u>883,714</u>	<u>549,163</u>	<u>37,295</u>
Carrying amount				
At 31 March 2019	<u>8,323,194</u>	<u>417,425</u>	<u>569,684</u>	<u>13,426</u>
At 31 March 2018	<u>8,321,170</u>	<u>437,031</u>	<u>675,267</u>	<u>13,426</u>

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

	Other property, plant and equipment £	Total £
Cost or valuation		
At 1 April 2018	14,388,784	25,926,411
Additions	1,882,240	2,746,155
Disposals	<u>(458,232)</u>	<u>(1,044,414)</u>
At 31 March 2019	<u>15,812,792</u>	<u>27,628,152</u>
Depreciation		
At 1 April 2018	7,557,046	9,647,778
Charge for the year	1,045,965	1,802,666
Eliminated on disposal	<u>(319,633)</u>	<u>(675,435)</u>
At 31 March 2019	<u>8,283,378</u>	<u>10,775,009</u>
Carrying amount		
At 31 March 2019	<u>7,529,414</u>	<u>16,853,143</u>
At 31 March 2018	<u>6,831,740</u>	<u>16,278,634</u>

Included within the net book value of land and buildings above is £7,640,052 (2018 - £7,786,932) in respect of freehold land and buildings and £683,142 (2018 - £534,237) in respect of long leasehold land and buildings.

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

Company

	Other property, plant and equipment £	Total £
Cost or valuation		
At 1 April 2018	12,684	12,684
Additions	<u>2,150</u>	<u>2,150</u>
At 31 March 2019	<u>14,834</u>	<u>14,834</u>
Depreciation		
At 1 April 2018	4,522	4,522
Charge for the year	<u>3,574</u>	<u>3,574</u>
At 31 March 2019	<u>8,096</u>	<u>8,096</u>
Carrying amount		
At 31 March 2019	<u>6,738</u>	<u>6,738</u>
At 31 March 2018	<u>8,162</u>	<u>8,162</u>

Included within the net book value of land and buildings above is £Nil (2018 - £Nil) in respect of freehold land and buildings.

16 Investment properties

Group

	2019 £
At 1 April	364,000
Additions	<u>1,166,610</u>
At 31 March	<u>1,530,610</u>

The directors have reviewed the valuation of the investment property at the year end and do not consider any changes in the fair value.

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

17 Investments

Group

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2019	2018
Subsidiary undertakings				
Avon Group Manufacturing Limited*	England	Ordinary	100%	100%
P & D Manufacturing Limited*	England	Ordinary	100%	100%
P.P. Injection Moulds and Mouldings Limited*	England	Ordinary	100%	100%
Avon Engineered Rubber Limited*	England	Ordinary	100%	100%
A.E.R. Stafford Limited*	England	Ordinary	100%	100%
Avon TSA Limited*	England	Ordinary	100%	100%
Slatebond Limited*	England	Ordinary	100%	100%
Foam Techniques Limited*	England	Ordinary	100%	100%
Park Hill Property Invest. Limited*	England	Ordinary	100%	100%
The Home of Foam Ltd*	England	Ordinary	100%	100%

* indicates direct investment of the company

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

Company

	2019	2018
	£	£
Investments in subsidiaries	<u>24,219,297</u>	<u>24,219,298</u>
Subsidiaries		£
Cost or valuation		
At 1 April 2018		<u>24,219,297</u>
Provision		
Carrying amount		
At 31 March 2019		<u>24,219,297</u>
At 31 March 2018		<u>24,219,298</u>

18 Stocks

	Group	
	2019	2018
	£	£
Stock	<u>4,523,853</u>	<u>4,932,753</u>
		<u>Company</u>
		<u>2019</u>
		<u>£</u>
		<u>-</u>

Avon Group Manufacturing (Holdings) Limited
Notes to the Financial Statements
Year Ended 31 March 2019

19 Debtors

	Note	Group		Company	
		2019 £	2018 £	2019 £	2018 £
Trade debtors		13,662,010	12,412,313	-	-
Receivables from related parties		-	-	1,020,416	1,961,720
Other receivables		85,276	1,700,655	-	-
Prepayments		997,733	1,196,438	-	-
Income tax asset	13	-	7,794	-	-
Total current trade and other receivables		<u>14,745,019</u>	<u>15,317,200</u>	<u>1,020,416</u>	<u>1,961,720</u>

Avon Group Manufacturing (Holdings) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

20 Cash and cash equivalents

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Cash on hand	3,260	5,327	-	-
Cash at bank	<u>552,101</u>	<u>1,761,058</u>	<u>71,182</u>	<u>78,718</u>
	555,361	1,766,385	71,182	78,718
Bank overdrafts	<u>(4,416)</u>	<u>(82,770)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents in statement of cash flows	<u>550,945</u>	<u>1,683,615</u>	<u>71,182</u>	<u>78,718</u>

21 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £218,301 (2018 - £361,348).

22 Creditors

		Group		Company	
	Note	2019 £	2018 £	2019 £	2018 £
Due within one year					
Loans and borrowings	23	2,004,416	4,082,770	2,000,000	4,000,000
Trade creditors		10,651,658	10,357,007	36,829	2,766
Amounts due to related parties		-	-	16,165,286	10,285,465
Social security and other taxes		1,489,497	1,504,036	428,146	194,681
Other payables		8,955,116	6,866,966	-	-
Accrued expenses		2,062,508	2,456,912	415,420	400,369
Corporation tax liability	13	<u>713,947</u>	<u>597,508</u>	<u>151,791</u>	<u>107,899</u>
		<u>25,877,142</u>	<u>25,865,199</u>	<u>19,197,472</u>	<u>14,991,180</u>
Due after one year					
Loans and borrowings	23	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>

Avon Group Manufacturing (Holdings) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Included in other payable is £8,888,936 (2018 - £5,088,647) relating to a confidential invoice discounting agreement with Barclays Bank Plc, this balance is secured on the trade debts of the company.

23 Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Non-current loans and borrowings				
Bank borrowings	-	2,000,000	-	2,000,000

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Current loans and borrowings				
Bank borrowings	2,000,000	4,000,000	2,000,000	4,000,000
Bank overdrafts	4,416	82,770	-	-
	<u>2,004,416</u>	<u>4,082,770</u>	<u>2,000,000</u>	<u>4,000,000</u>

24 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

25 Parent and ultimate parent undertaking

The ultimate controlling party is Mr M A Rushin.