

Registration number: 10417070

Gavco 188 Limited

Annual Report and Consolidated Financial Statements

for the Period from 1 May 2022 to 29 April 2023

Hargreaves Brown & Benson
Chartered Accountants
1 Bond Street
Colne
Lancashire
BB8 9DG



Gavco 188 Limited

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Gavco 188 Limited

Company Information

Directors	M.A. Leggett J.L. McCurry M.G. Draper
Registered office	Bradford House Phillips Lane Colne Lancashire BB8 9PQ
Auditors	Hargreaves Brown & Benson Chartered Accountants 1 Bond Street Colne Lancashire BB8 9DG

Gavco 188 Limited

Strategic Report for the period from 1 May 2022 to 29 April 2023

The directors present their strategic report for the period from 1 May 2022 to 29 April 2023.

Principal activity

The principal activity of the company is a non-trading holding company for La-Z-Boy Manufacturing UK Limited.

The principal activity of the group is the manufacture of upholstered furniture for sale in the United Kingdom and the Republic of Ireland.

Fair review of the business

La-Z-Boy Manufacturing UK Limited is part of La-Z-Boy Incorporated, a US quoted worldwide furniture group. La-Z-Boy Manufacturing UK Limited is a 100% subsidiary of Gavco 188 Limited.

The directors shortened the group's previous financial period to 30 April 2022 to reflect that of La-Z-Boy Incorporated. Therefore, the period to 30 April 2022 covers 9 months with the financial information for the current period covering 12 months to 29 April 2023.

The group maintained a strong financial performance during 2023 and has continued to show excellent cost management and internal efficiencies. The reduction in gross margin to 9.3% (2022 - 11.3%) is due to increased raw material and labour costs. We made a strategic decision to absorb these increases and not pass these on to the customer to reduce the impact on our manufacturing volumes and market share. We continue to monitor our pricing, procurement and plant efficiencies to mitigate these changes and maintain our agility in a turbulent global landscape.

An operating loss was produced in the period of £0.31m (2022 - £0.27m - profit), this is primarily due to the reduction in gross profit for the period. Despite challenging trading conditions, the group continued to demonstrate strong control of distribution and administrative costs and management of the group's operations and resources, as well as continued investment within the business.

The loss for the period before taxation amounted to £172,281 (2022 - £274,899 - profit). The group has also maintained a strong financial position with net assets of £5.19m (2022 - £5.33m).

The directors consider the results for the period and the position of the group at the period end to be satisfactory.

The group's key financial and other performance indicators during the period were as follows:

Financial KPIs	Unit	2023	2022
Turnover	£m	32.76	21.93
Gross margin	%	9.29	11.18
Operating profit	£m	(.31)	.27

Key indicators of performance revolve around the number of units sold and the average sales price per unit. On both these measures, the directors are satisfied that budget assumptions are being met.

The main changes to KPI's have been highlighted above.

Gavco 188 Limited

Strategic Report for the period from 1 May 2022 to 29 April 2023

Principal risks and uncertainties

The group directors have overall responsibility for the establishment, development and monitoring of the group's risk and risk management policies.

The group's risk management policies are established to identify and analyse the risks they face, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The principal risks affecting the group are competitive risk, quality risk and financial instrument risk.

Competitive risk

The group is reliant upon the United Kingdom economy to remain competitive as a deterioration in the performance in the United Kingdom economy could adversely affect consumer disposable income and, as a consequence, demand for furniture. It is the directors' strategy to remain competitive by offering an extensive range of branded and non-branded products and engaging with major players in the retail market to ensure products are advertised, promoted and competitively priced.

Quality risk

The directors identify quality in the manufacturing process, delivery to customers and after-sales service as key to the brand identity. The directors are also committed to ensuring that the quality of design, materials and manufacture meet the first class safety standards required of the industry.

Financial instrument risk

The principal instrument risks affecting the company are liquidity risk, interest rate risk, foreign currency risk and credit risk and these are detailed in the Directors' Report.

Approved and authorised by the Board on 31 October 2023 and signed on its behalf by:

Mark Draper
Mark Draper (Nov 9, 2023 16:43 GMT)

M.G. Draper
Director

Gavco 188 Limited

Directors' Report for the Period from 1 May 2022 to 29 April 2023

The directors present their report and the for the period from 1 May 2022 to 29 April 2023.

Directors of the group

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

M.A. Leggett (appointed 21 June 2022)

J.L. McCurry

B.K. Wilson (resigned 31 August 2023)

The following director was appointed after the period end:

M.G. Draper (appointed 31 August 2023)

Financial instruments

Objectives and policies

The group holds or issues financial instruments in order to achieve three main objectives, being;

- (a) to finance its operations;
- (b) to manage its exposure to interest and currency risk arising from its operations and from its sources of finance, and;
- (c) for trading purposes.

In addition, various financial instruments (trade debtors, trade creditors, accruals and prepayments) arise directly from the group's operations.

Transactions in financial instruments result in the group assuming from or transferring to another party one or more of the financial risks described below.

Gavco 188 Limited

Directors' Report for the Period from 1 May 2022 to 29 April 2023

Interest rate risk, credit risk, liquidity risk and foreign exchange risk

Interest rate risk

Interest rate risk is the risk of financial loss to the group as a result of fluctuations in the market rate of interest. The group manages and controls interest rate risk on borrowings within acceptable parameters whilst optimising the return on surplus funds.

The group maintains borrowing facilities with the National Westminster Bank Plc. The group places surplus funds on deposit with reputable banking institutions.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or other party to a financial instrument fails to meet its contractual obligations and arises principally from amounts receivable from customers. The group monitors credit risk closely and considers that its current policy of credit checks meet the objectives of managing exposure to risk.

Major customers account for approximately 60% of the group's trade debtors. Credit risk is managed by the application of agreed terms of credit with each customer subject to monitoring and review. The group has no other significant concentration of credit risk. Amounts shown in the Statement of Financial Position best represent maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The approach to managing liquidity risk is to ensure that, as far as possible, the group has sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the group's reputation.

The group at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due.

Foreign exchange risk

The group is exposed to foreign exchange risk in respect of transactions which arise out of its trading operations, in Euro and United States Dollar, with overseas suppliers. The group has no significant exposure to foreign exchange risk.

Employment of disabled persons

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

Employee involvement

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

Gavco 188 Limited

Directors' Report for the Period from 1 May 2022 to 29 April 2023

Future developments

The group continues to meet the challenging trading environment with the focus on growing sales whilst keeping costs at a level whereby profits are at least maintained. The group is constantly reviewing its product range by introducing new designs and concepts which offer quality and value to our customers. The joining of the La-Z-Boy group creates greater opportunity for further development of its products and provides greater knowledge and support to develop the business.

Directors' liabilities

During the period the group held an insurance policy providing indemnity cover for the benefit of the group's directors in connection with the performance of their duties as officers of the group.

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 group'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.

Approved and authorised by the Board on 31 October 2023 and signed on its behalf by:

Mark Draper

Mark Draper (Nov 9, 2023 16:43 GMT)

M.G. Draper
Director

Gavco 188 Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Strategic Report, Directors 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 group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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 group will continue in business.

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

Gavco 188 Limited

Independent Auditor's Report to the Members of Gavco 188 Limited

Opinion

We have audited the financial statements of Gavco 188 Limited (the 'parent company') and its subsidiaries (the 'group') for the period from 1 May 2022 to 29 April 2023, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, 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).

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 29 April 2023 and of the group's loss for the period 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 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

In auditing the financial statements we have concluded that the directors' use of the going concern basis of accounting in the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt upon the group or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements we authorised for use.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Gavco 188 Limited

Independent Auditor's Report to the Members of Gavco 188 Limited

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 period 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:

- 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 7], 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 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.

Gavco 188 Limited

Independent Auditor's Report to the Members of Gavco 188 Limited

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The engagement partner ensured that the engagement team collectively had appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.

The group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant; The Financial Reporting Standard FRS 102, the United Kingdom Companies Act 2006 and relevant United Kingdom taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement disclosures.

We understood how the group is complying with those laws and regulations through discussions with directors and other group management and from our knowledge and experience of the manufacturing sector in which the group operates.

We assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur by making enquiries of management as to where they considered there was susceptibility to fraud and their knowledge of actual, suspected and alleged fraud. We considered the internal controls in place which would mitigate the risk of fraud and non-compliance with laws and regulations.

We addressed the risk of fraud and misstatement arising through management bias and override of internal controls by performing analytical procedures to identify any unusual or unexpected relationships and testing journal entries in the accounting records to identify any unusual transactions. We assessed the judgements and assumptions made in the determination of significant accounting estimates with particular focus on potential management bias.

In response to the risk of irregularities and non-compliance with laws and regulations we adopted procedures which included, but not limited to, agreeing the disclosures in the financial statements to underlying records and, where appropriate, supporting documentation; enquiring of management as to actual or potential litigation claims; and reviewing transactions with the group's legal and professional advisors. We also reviewed the correspondence with HMRC Customs and Revenue with regard to the taxation disclosures made by the group.

There are inherent limitations in our audit procedure described in the above. The more removed that laws and regulations are from financial transactions, the less likely we are to be able to identify material non-compliance. Auditing Standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that are due to fraud can be more difficult to detect than those which arise from other errors as they may involve deliberate concealment or collusion.

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

Gavco 188 Limited

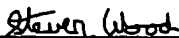
Independent Auditor's Report to the Members of Gavco 188 Limited

- 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.
- 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.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Steven Wood (Nov 3, 2023 10:09 GMT)

Steven Wood (Senior Statutory Auditor)

For and on behalf of Hargreaves Brown & Benson, Statutory Auditor

1 Bond Street
Colne
Lancashire
BB8 9DG

31 October 2023

Gavco 188 Limited

Consolidated Income Statement for the Period from 1 May 2022 to 29 April 2023

	Note	2023 £	2022 £
Revenue	3	32,755,221	21,928,175
Cost of sales		<u>29,712,797</u>	<u>19,476,464</u>
Gross profit		3,042,424	2,451,711
Distribution costs		1,954,652	1,231,533
Administrative expenses		<u>1,398,091</u>	<u>945,638</u>
Operating (loss)/profit	5	<u>(310,319)</u>	<u>274,540</u>
Other interest receivable and similar income	6	<u>138,038</u>	<u>359</u>
		<u>138,038</u>	<u>359</u>
(Loss)/profit before tax		(172,281)	274,899
Taxation	11	<u>34,058</u>	<u>(43,155)</u>
(Loss)/profit for the financial period		<u>(138,223)</u>	<u>231,744</u>
Profit/(loss) attributable to:			
Owners of the company		<u>(138,223)</u>	<u>231,744</u>

The above results were derived from continuing operations.

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

Gavco 188 Limited

Consolidated Statement of Comprehensive Income for the Period from 1 May 2022 to 29 April 2023

	Note	2023 £	2022 £
(Loss)/profit for the period		<u>(138,223)</u>	<u>231,744</u>
Total comprehensive income for the period		<u><u>(138,223)</u></u>	<u><u>231,744</u></u>
Total comprehensive income attributable to:			
Owners of the company		<u><u>(138,223)</u></u>	<u><u>231,744</u></u>

Gavco 188 Limited

(Registration number: 10417070)

Consolidated Statement of Financial Position as at 29 April 2023

	Note	2023 £	2022 £
Non-Current assets			
Property, Plant and Equipment	12	493,948	405,382
Current assets			
Inventories	14	2,842,041	3,245,986
Debtors	15	2,966,097	3,309,682
Cash at bank and in hand	16	3,071,956	2,056,793
		8,880,094	8,612,461
Creditors: Amounts falling due within one year	17	(3,710,649)	(3,239,995)
Net current assets		5,169,445	5,372,466
Total assets less current liabilities		5,663,393	5,777,848
Provisions for liabilities	18	(470,672)	(446,904)
Net assets		5,192,721	5,330,944
Equity			
Called up share capital	19	50	50
Consolidation reserve	20	59,994	59,994
Profit and loss account		5,132,677	5,270,900
Equity attributable to owners of the company		5,192,721	5,330,944
Shareholders' funds		5,192,721	5,330,944

Approved and authorised by the Board on 31 October 2023 and signed on its behalf by:

Mark Draper
Mark Draper (Nov 9, 2023 16:43 GMT)
M.G. Draper
Director

Gavco 188 Limited

(Registration number: 10417070)

Statement of Financial Position as at 29 April 2023

	Note	2023 £	2022 £
Non-Current assets			
Investments	13	<u>100</u>	<u>100</u>
Equity			
Called up share capital	19	50	50
Profit and loss account		<u>50</u>	<u>50</u>
Shareholders' funds		<u>100</u>	<u>100</u>

The company made a profit after tax for the financial period of £-.

Approved and authorised by the Board on 31 October 2023 and signed on its behalf by:

Mark Draper
Mark Draper (Nov. 9, 2023, 16:43 GMT)
M.G. Draper
Director

Gavco 188 Limited

**Consolidated Statement of Changes in Equity for the Period from 1 May 2022
to 29 April 2023**
Equity attributable to the parent company

	Share capital £	Consolidation reserve £	Profit and loss account £	Total equity £
At 1 May 2022	50	59,994	5,270,900	5,330,944
Loss for the period	-	-	(138,223)	(138,223)
Total comprehensive income	-	-	(138,223)	(138,223)
At 29 April 2023	50	59,994	5,132,677	5,192,721

	Share capital £	Consolidation reserve £	Profit and loss account £	Total equity £
At 1 August 2021	50	59,994	5,039,156	5,099,200
Profit for the period	-	-	231,744	231,744
Total comprehensive income	-	-	231,744	231,744
At 30 April 2022	50	59,994	5,270,900	5,330,944

Gavco 188 Limited

Statement of Changes in Equity for the Period from 1 May 2022 to 29 April 2023

	Share capital £	Profit and loss account £	Total £
At 1 May 2022	<u>50</u>	<u>50</u>	<u>100</u>
At 29 April 2023	<u><u>50</u></u>	<u><u>50</u></u>	<u><u>100</u></u>

	Share capital £	Profit and loss account £	Total £
At 1 August 2021	<u>50</u>	<u>50</u>	<u>100</u>
At 30 April 2022	<u><u>50</u></u>	<u><u>50</u></u>	<u><u>100</u></u>

Gavco 188 Limited

Consolidated Statement of Cash Flows for the Period from 1 May 2022 to 29 April 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
(Loss)/profit for the period		(138,223)	231,744
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	88,563	56,629
Loss/(profit) on disposal of property, plant and equipment	5	78	(417)
Finance income	6	(138,038)	(359)
Corporation tax expense	11	(34,058)	43,155
		(221,678)	330,752
Working capital adjustments			
Decrease/(increase) in inventories	14	403,945	(1,494,081)
Decrease in receivables	15	317,462	348,971
Increase in payables	17	470,654	338,281
Increase/(decrease) in provisions	18	41,856	(71,047)
Cash generated from operations		1,012,239	(547,124)
Income taxes received/(paid)		42,093	(58,399)
Net cash flow from operating activities		1,054,332	(605,523)
Cash flows from investing activities			
Interest received	6	138,038	359
Acquisitions of property, plant and equipment	12	(177,207)	(186,812)
Proceeds from sale of property, plant and equipment	5, 12	-	417
Net cash flows from investing activities		(39,169)	(186,036)
Net increase/(decrease) in cash and cash equivalents		1,015,163	(791,559)
Cash and cash equivalents at 1 May		2,056,793	2,848,352
Cash and cash equivalents at 29 April	16	3,071,956	2,056,793

The notes on pages 19 to 34 form an integral part of these financial statements.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom, registered in England and Wales.

The address of its registered office is:

Bradford House
Phillips Lane
Colne
Lancashire
BB8 9PQ

These financial statements were authorised for issue by the Board on 31 October 2023.

2 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 periods presented, unless otherwise stated.

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' and the Companies Act 2006.

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.

The group financial statements consolidate the financial statements of Gavco 188 Limited and all its subsidiary undertakings up to 29 April 2023.

The financial statements of the group are presented in the currency of the primary economic environment in which the group operates (its functional currency). For the purposes of the financial statements, the results and financial position are presented in Sterling (£).

The parent company has taken advantage of Section 408 of the Companies Act 2006 and had not included its own Income Statement in these financial statements. The parent company's profit for the period is disclosed on page 15 as part of the parent company's individual Statement of Financial Position.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

2 Accounting policies (continued)

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 29 April 2023.

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 period are included in the Income Statement 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.

Going concern

The financial statements have been prepared on a going concern basis. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for at least a year from the date of approval of the financial statements. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

2 Accounting policies (continued)

Judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are addressed below.

Goodwill

The group establishes a reliable estimate of the useful life of goodwill arising on consolidation. This estimate is based upon a variety of factors including the expected use of the acquired business and the expected useful life of the cash generating unit acquired. Any legal, regulatory or contractual provisions which may limit the assumptions over expected useful life are taken into account.

Useful economic life of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The economic lives and residual values are re-assessed annually and, where necessary, amended to reflect current conditions.

Inventory provisioning

The group manufactures and sells product subject to the demands of the market in which it operates. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. The directors consider the condition and age of the inventory using assumptions over the sale of finished goods and usage of raw materials in estimating the provisions required.

Impairment of receivables

The group makes an estimate of the recoverable value of trade and other receivables. When assessing the impairment of trade and other receivables the directors consider factors including age, independent credit rating and historical experience.

Key sources of estimation uncertainty

The directors have recognised a provision for potential claims under warranty that may materialise on its manufactured products over a period of one to ten years. The carrying amount is £447,528 (2022 - £405,672).

In estimating the value of claims which may be made under warranty the directors have made assumptions based upon the quality of the product sold and past experience of returns and repairs.

Whilst the directors consider the warranty estimate and assumptions adopted to be reasonable, there is an inherent uncertainty in estimating the cost of providing warranties and the estimated value may significantly differ from the actual cost to the group of any claims under warranty which subsequently arise.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

2 Accounting policies (continued)

Revenue recognition

Revenue 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. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

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; this is usually the point that the customer has accepted delivery of the goods.

Foreign currency transactions and balances

In preparing the financial statements of the group transactions in foreign currencies other than the functional currency are recognised at the spot rate at the date of transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated into Sterling at the prevailing exchange rate at that date.

Exchange differences are recognised in the profit or loss of the period in which they arise.

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 corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Property, Plant and Equipment

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

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	4% of cost per annum
Other property	20% of cost per annum
Plant and machinery	20% of cost per annum
Fixtures and fittings	10% of cost per annum
Computer equipment	20% of cost per annum
Motor vehicles	25% of cost per annum

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

2 Accounting policies (continued)

Investments

Investments in subsidiaries are measured at cost less any provision for impairment. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

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

Receivables

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

Receivables are recognised initially at the transaction price. A provision for the impairment of receivables 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

Inventories 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, inventories are assessed for impairment. If inventories 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.

Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

Provisions

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

2 Accounting policies (continued)

Dividends

Dividend distribution to the group'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.

Financial instruments

Classification

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Recognition and measurement

Basic financial instruments, including trade and other receivables, cash and cash equivalents and trade and other payables, are initially recognised at transaction price unless the arrangement is a financing transaction, where the transaction is measured at the present value of future receipts, or payments, discounted at a market rate of interest. Such assets are carried at amortised cost using the effective interest method.

Impairment

At the end of each accounting period financial instruments are assessed for objective evidence of impairment. 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 effective interest rate. The impairment loss is recognised in profit or loss.

Current versus non-current classification

Financial instruments are classified as current if there is no unconditional right at the end of the reporting period, to defer settlement of the financial instrument 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.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

3 Revenue

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

	2023 £	2022 £
Sale of goods	<u>32,755,221</u>	<u>21,928,175</u>

4 Other gains and losses

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

	2023 £	2022 £
(Loss)/gain on disposal of Property, Plant and Equipment	<u>(78)</u>	<u>417</u>

5 Operating (loss)/profit

Arrived at after charging/(crediting)

	2023 £	2022 £
Depreciation expense	88,563	56,629
Loss/(profit) on disposal of property, plant and equipment	<u>78</u>	<u>(417)</u>

6 Other interest receivable and similar income

	2023 £	2022 £
Interest income on bank deposits	10,960	359
Foreign currency gains/(losses)	<u>127,078</u>	<u>-</u>
	<u>138,038</u>	<u>359</u>

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

7 Staff costs

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

	2023	2022
	£	£
Wages and salaries	9,600,871	6,535,659
Social security costs	739,405	432,849
Pension costs, defined contribution scheme	<u>264,150</u>	<u>171,114</u>
	<u>10,604,426</u>	<u>7,139,622</u>

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

	2023	2022
	No.	No.
Production	268	247
Administration and support	<u>36</u>	<u>40</u>
	<u>304</u>	<u>287</u>

8 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £264,150 (2022 - £171,114).

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	2023 £	2022 £
Remuneration	-	48,788
Contributions paid to money purchase schemes	-	2,447
	<u>-</u>	<u>51,235</u>

10 Auditors' remuneration

	2023 £	2022 £
Audit of these financial statements	40,126	22,750
Other fees to auditors		
Taxation compliance services	<u>-</u>	<u>474</u>

11 Taxation

Tax charged/(credited) in the income statement

	2023 £	2022 £
Current taxation		
UK corporation tax	-	15,970
UK corporation tax adjustment to prior periods	(15,970)	-
	(15,970)	15,970
Deferred taxation		
Arising from origination and reversal of timing differences	(18,088)	27,185
Tax (receipt)/expense in the income statement	<u>(34,058)</u>	<u>43,155</u>

The tax on profit before tax for the period is the same as the standard rate of corporation tax in the UK of 19% (2022 - 19%).

The differences are reconciled below:

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

11 Taxation (continued)

	2023 £	2022 £
(Loss)/profit before tax	<u>(172,281)</u>	<u>274,899</u>
Corporation tax at standard rate	(32,725)	52,231
Tax decrease from effect of capital allowances and depreciation	<u>(1,333)</u>	<u>(9,076)</u>
Total tax (credit)/charge	<u>(34,058)</u>	<u>43,155</u>
Deferred tax		
Group		
Deferred tax assets and liabilities	Asset	Liability
2023	£	£
Accelerated tax depreciation	-	64,609
Tax losses carried forward	<u>41,465</u>	<u>-</u>
	<u>41,465</u>	<u>64,609</u>
2022	Asset	Liability
	£	£
Accelerated tax depreciation	-	41,232
	<u>-</u>	<u>41,232</u>

Deferred tax has been calculated using the standard rate of 19% applicable in the current period.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

12 Property, Plant and Equipment

Group

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 May 2022	1,182,410	1,681,174	78,265	2,941,849
Additions	57,767	119,440	-	177,207
Disposals	-	(1,037)	-	(1,037)
At 29 April 2023	<u>1,240,177</u>	<u>1,799,577</u>	<u>78,265</u>	<u>3,118,019</u>
Depreciation				
At 1 May 2022	1,042,556	1,452,387	41,524	2,536,467
Charge for the period	30,734	41,500	16,329	88,563
Eliminated on disposal	-	(959)	-	(959)
At 29 April 2023	<u>1,073,290</u>	<u>1,492,928</u>	<u>57,853</u>	<u>2,624,071</u>
Carrying amount				
At 29 April 2023	<u>166,887</u>	<u>306,649</u>	<u>20,412</u>	<u>493,948</u>
At 30 April 2022	<u>139,854</u>	<u>228,787</u>	<u>36,741</u>	<u>405,382</u>

Included within the net book value of land and buildings above is £106,579 (2022 - £135,000) in respect of freehold land and buildings and £60,308 (2022 - £4,854) in respect of long leasehold land and buildings.

Fully depreciated assets

At 29 April 2023 the group was still using assets with an original cost of £2,586,376 (2022 - £2,354,953) which are fully depreciated.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

13 Investments

Company

	2023 £	2022 £
Investments in subsidiaries	<u>100</u>	<u>100</u>
Subsidiaries		£
Cost		
At 1 May 2022		<u>100</u>
Carrying amount		
At 29 April 2023		<u>100</u>
At 30 April 2022		<u>100</u>

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company 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	
			2023	2022
Subsidiary undertakings				
La-Z-Boy Manufacturing UK Limited	Bradford House, Phillips Lane, Colne, Lancashire, BB8 9PQ United Kingdom	Ordinary shares	100%	100%

Subsidiary undertakings

La-Z-Boy Manufacturing UK Limited

The principal activity of La-Z-Boy Manufacturing UK Limited is the manufacture of upholstered furniture for sale in the United Kingdom and the Republic of Ireland.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

14 Inventories

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Raw materials and consumables	2,269,283	2,661,644	-	-
Work in progress	327,757	386,225	-	-
Finished goods	245,001	198,117	-	-
	<u>2,842,041</u>	<u>3,245,986</u>	<u>-</u>	<u>-</u>

15 Debtors

	Note	Group		Company	
		2023	2022	2023	2022
Current		£	£	£	£
Receivables		958,044	1,302,758	-	-
Amounts owed by related parties	22	1,850,435	1,848,683	-	-
Prepayments		141,648	116,148	-	-
Income tax asset		15,970	42,093	-	-
		<u>2,966,097</u>	<u>3,309,682</u>	<u>-</u>	<u>-</u>

16 Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Cash at bank and in hand	<u>3,071,956</u>	<u>2,056,793</u>	<u>-</u>	<u>-</u>

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

17 Creditors

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Due within one year				
Payables	2,257,195	2,076,168	-	-
Social security and other taxes	979,041	675,688	-	-
Other payables	63,929	106,694	-	-
Accrued expenses	410,484	381,445	-	-
	<u>3,710,649</u>	<u>3,239,995</u>	<u>-</u>	<u>-</u>

18 Deferred tax and other provisions

Group	Warranties	Deferred tax	Total
	£	£	£
At 1 May 2022	405,672	41,232	446,904
Increase (decrease) in existing provisions	<u>41,856</u>	<u>(18,088)</u>	<u>23,768</u>
At 29 April 2023	<u>447,528</u>	<u>23,144</u>	<u>470,672</u>

The group has recognised a provision for warranty claims on its manufactured products. The group offers warranties for the various product components over a period of one to ten years. The provision covers the estimated cost to the group over that time period in line with La-Z-Boy group policy.

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

19 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>500</u>	<u>50</u>	<u>500</u>	<u>50</u>

20 Reserves

Group

Consolidation reserve

This reserve records the amount of share premium received above nominal value for shares allotted, less transaction costs, in La-Z-Boy Manufacturing UK Limited.

21 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2023	2022
	£	£
Not later than one year	159,500	159,500
Later than one year and not later than five years	<u>398,750</u>	<u>558,250</u>
	<u>558,250</u>	<u>717,750</u>

On 26 October 2021, La-Z-Boy Manufacturing UK Limited entered into a 5 year lease for the premises from which it operates. This replaces the existing lease that was in place on a rolling basis.

The amount of non-cancellable operating lease payments recognised as an expense during the period was £159,500 (2022 - £106,818).

Gavco 188 Limited

Notes to the Financial Statements for the Period from 1 May 2022 to 29 April 2023

22 Related party transactions

Group

Key management personnel

Key management personnel comprises the directors of the group, the names of the directors of the group are detailed on page 4 of the Directors Report, and the directors of the directly owned subsidiary company, La-Z-Boy Manufacturing UK Limited.

Key management compensation

	2023	2022
	£	£
Salaries and other short term employee benefits	-	66,839
Post-employment benefits	-	13,514
	<u>-</u>	<u>80,353</u>

Company

Key management personnel

Key management personnel comprises the directors of the parent company. The names of the directors who held office during the period are detailed on page 4 of the Directors Report.

Key management compensation

	2023	2022
	£	£
Salaries and other short term employee benefits	-	48,788
Post-employment benefits	-	2,447
	<u>-</u>	<u>51,235</u>

23 Parent and ultimate parent undertaking

The company's immediate parent is La-Z-Boy Incorporated, incorporated in Michigan, USA.

The most senior parent entity producing publicly available financial statements is La-Z-Boy Incorporated. These financial statements are available upon request from La-Z-Boy Incorporated, 1 La-Z-Boy Drive, Monroe, Michigan 48162, USA and from www.la-z-boy.com.