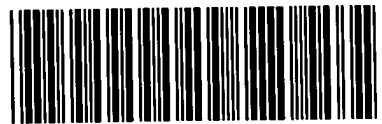


HOVAT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

THURSDAY



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HOVAT LIMITED

COMPANY INFORMATION

Directors	K J Beamon W Habbergham E Farrell (appointed 16 June 2023) B O'Brien (appointed 16 June 2023)
Company secretary	K J Beamon
Registered number	01146599
Registered office	West Point New Hythe Lane Larkfield Kent ME20 6XJ
Independent auditor	Crowe U.K. LLP Riverside House 40 - 46 High Street Maidstone Kent ME14 1JH

HOVAT LIMITED

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HOVAT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Introduction

The principal activity of the company in the year under review was that of the printing and converting of food packaging materials and the production of self adhesive labels, straws and SOS bags.

Business review

The Directors were pleased with the Company's financial results during the year. Demand was more stable following the global supply issues during 2022 but the year still had challenges in regard to managing conversion costs with increased labour, general rates and power costs all adding to the overhead burden.

The turnover marginally decreased to £13.2m, being 1.8% lower than the previous year and the gross profit percentage also fell by a further 1%. The negative impact on operating profits was partially offset by the good cost control mentioned above and so operating profits were just under £1m which we consider to be a solid rather than a spectacular profit for the year.

The Company's significant capital investment program during the preceding two years really assisted in maintaining the Company's good performance with both the reduced waste and labour cost targets being fully achieved.

The Company continued to strengthen its market position for providing new, innovative packaging to the food sector and maintained its accreditation to the BRCGS Quality Standard that is essential to the food industry.

At the year end the directors consider the Company's financial position to be financially sound with enough financial resources available through debt, invoice discounting facilities and internal cash generation to operate for the foreseeable future.

Principal risks and uncertainties

Principal risks and uncertainties are predominantly external factors. The continued fluctuations in currency linked to global events, the cost of power and the significant increase in interest rates have all impacted during 2023 and will continue to do so in the foreseeable future. The raw material price inflation seems to have stabilised and during the second half of 2023 started to slowly reduce. The impact was minimised due to the increases in fixed costs that are here to stay and are not subject to market fluctuations.

Financial key performance indicators

The company uses KPI's to assist in controlling the business. Credit notes as a percentage of sales were only 0.4% (2022- 0.2%) whereas debtor days outstanding at the year-end were 52 days (2022 – 58 days) and Creditor days outstanding were 76 days (2022 – 75 days).

HOVAT LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Future developments

The Company is reasonably optimistic regarding future trading. Its strong blue-chip customer base are all still taking positive steps to either reduce plastics and or improve recyclability and the Company has a number of solutions to assist customers in achieving their goals. The Company has also sourced new competitive materials that will enable the move into new sectors of food packaging, in particular bakery, confectionery and cheese.

The Company continues to re engineer its product offerings, tailoring them to its customers' needs, and is assisting in their targets of reduced packaging waste. This customer focus has enabled the Company to form strategic partnerships and, as a natural consequence, allowed the Company to expand sales into associated projects.

In addition, on the 11th March 2023 the Company acquired the business and assets of Triflex Productions (in administration) Limited. This new venture will continue to operate from its Folkestone site and its Offset print technology naturally compliments the Flexographic print technology at its sister site in Maidstone. Combined, the two Hovat sites offer a comprehensive print solution to the Food Packaging sector.

Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

This report was approved by the board on 17th July 2024 and signed on its behalf.



K J Beamon
Director

HOVAT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and the financial statements for the year ended 31 December 2023.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

Results and dividends

The profit for the year, after taxation, amounted to £597,148 (2022 - £769,397).

During the year a dividend was paid of £600,000 (2022 - £600,000).

Directors

The directors who served during the year were:

K J Beamon
W Habergham
E Farrell (appointed 16 June 2023)
B O'Brien (appointed 16 June 2023)

Future developments and going concern

The future developments of the company and going concern have been discussed in the strategic report.

HOVAT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

On the 11th March 2023 the Company acquired the business and assets of Triflex Productions (In Administration) Limited. This new venture will continue to operate from its Folkestone site and its Offset print technology naturally compliments the Flexographic print technology at its sister site in Maidstone. Combined, the two Hovat sites offer a comprehensive print solution to the Food Packaging sector.

AUDITOR

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *17th July 2024* and signed on its behalf.



K J Beamon
Director

HOVAT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOVAT LIMITED

Opinion

We have audited the financial statements of Hovat Limited (the 'company') for the year ended 31 December 2023, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, 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 company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 preparation of 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 on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

HOVAT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOVAT LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 matters 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOVAT LIMITED (CONTINUED)

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.

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:

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

HOVAT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOVAT LIMITED (CONTINUED)

Mark Anderson

Mark Anderson (senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

Statutory Auditor

Riverside House
40 - 46 High Street
Maidstone
Kent

ME14 1JH

Date: 30 July 2024

HOVAT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £	2022 £
Turnover	4	13,187,315	13,426,792
Cost of sales		(8,081,533)	(8,111,525)
Gross profit		<u>5,105,782</u>	<u>5,315,267</u>
Distribution costs		(218,950)	(270,157)
Administrative expenses		(3,965,823)	(3,952,444)
Operating profit	5	<u>921,009</u>	<u>1,092,666</u>
Interest receivable and similar income	8	-	20
Interest payable and similar expenses	9	(139,442)	(114,823)
Profit before tax		<u>781,567</u>	<u>977,863</u>
Tax on profit	10	(184,419)	(208,466)
Profit for the financial year		<u>597,148</u>	<u>769,397</u>
Other comprehensive income for the year			
Total comprehensive income for the year		<u>597,148</u>	<u>769,397</u>

The notes on pages 13 to 27 form part of these financial statements.

HOVAT LIMITED
REGISTERED NUMBER: 01146599

BALANCE SHEET
AS AT 31 DECEMBER 2023

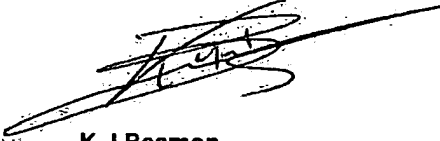
	Note	2023 £	2022 £
Fixed assets			
Tangible assets	12	2,003,102	2,187,187
Investments	13	8,000	8,000
		<u>2,011,102</u>	<u>2,195,187</u>
Current assets			
Stocks	14	1,769,081	1,838,962
Debtors: amounts falling due within one year	15	2,821,068	3,679,080
Cash at bank and in hand	16	97,302	199,801
		<u>4,687,451</u>	<u>5,717,843</u>
Creditors: amounts falling due within one year	17	<u>(3,933,382)</u>	<u>(4,837,465)</u>
Net current assets		<u>754,069</u>	<u>880,378</u>
Total assets less current liabilities		<u>2,765,171</u>	<u>3,075,565</u>
Creditors: amounts falling due after more than one year	18	(534,312)	(803,465)
Provisions for liabilities			
Deferred tax	20	(451,259)	(489,648)
		<u>(451,259)</u>	<u>(489,648)</u>
Net assets		<u>1,779,600</u>	<u>1,782,452</u>
Capital and reserves			
Called up share capital	21	19,360	19,360
Profit and loss account		1,760,240	1,763,092
		<u>1,779,600</u>	<u>1,782,452</u>

HOVAT LIMITED
REGISTERED NUMBER: 01146599

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2023

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

17th July 2024



K J Beamon
Director

The notes on pages 13 to 27 form part of these financial statements.

HOVAT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2023	19,360	1,763,092	1,782,452
Comprehensive Income for the year			
Profit for the year	-	597,148	597,148
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	597,148	597,148
Contributions by and distributions to owners			
Dividends: Equity capital	-	(600,000)	(600,000)
Total transactions with owners	-	(600,000)	(600,000)
At 31 December 2023	19,360	1,760,240	1,779,600

The notes on pages 13 to 27 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2022	19,360	1,593,695	1,613,055
Comprehensive income for the year			
Profit for the year	-	769,397	769,397
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	769,397	769,397
Contributions by and distributions to owners			
Dividends: Equity capital	-	(600,000)	(600,000)
Total transactions with owners	-	(600,000)	(600,000)
At 31 December 2022	19,360	1,763,092	1,782,452

The notes on pages 13 to 27 form part of these financial statements.

HOVAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

The principal activity of the company is that of the printing and converting of food packaging materials and the production of self adhesive labels, straws and SOS bags.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Grafham Holdings Limited as at 31 December 2023 and these financial statements may be obtained from Companies House.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- ii) the company has transferred the significant risks and rewards of ownership to the buyer;
- iii) the amount of revenue can be measured reliably;
- iii) it is probable that the company will receive the consideration due under the transaction;

The criteria above for recognition of income is met at the date of despatch of goods to the customer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.4 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.8 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.9 Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short term leasehold property	- In accordance with the lease
Plant & machinery	- From 6.6% to 33.33% on cost
Fixtures & fittings	- From 10% to 50% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment provisions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.12 Associates

Associates and Joint Ventures are held at cost less impairment provisions.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

2.14 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

2.18 Financial Instruments

The company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

HOVAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.18 Financial instruments (continued)

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

HOVAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The company may be required to make estimates and assumptions concerning the future. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The principal areas where judgement was exercised are as follows:

- i) Tangible fixed assets: the directors annually assess both the residual value of these assets and the expected useful life of such assets which is currently judged to be up to 15 years, based on experience.
- ii) Recoverability of trade debtors: the directors annually assess whether a bad debt provision is required for any bad or doubtful debtor balances.
- iii) Stock provisions: the directors regularly assess the age and quality of stock and will make necessary provisions based on the net realisable value of the stock held.

4. Turnover

The whole of the turnover is attributable to printing and converting of food packaging materials and the production of self adhesive labels, straws and SOS bags.

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	12,671,098	12,770,353
Rest of Europe	409,320	485,906
Rest of the world	106,897	170,533
	<u>13,187,315</u>	<u>13,426,792</u>

5. Operating profit

The operating profit is stated after charging:

	2023 £	2022 £
Depreciation of tangible fixed assets	347,712	284,882
Exchange differences	(29,897)	(59,880)
Other operating lease rentals	294,477	293,087
	<u>294,477</u>	<u>293,087</u>

HOVAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. Auditor's remuneration

During the year, the company obtained the following services from the company's auditor:

	2023	2022
	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	15,700	14,300
	<u>15,700</u>	<u>14,300</u>

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent company.

7. Employees

Staff costs were as follows:

	2023	2022
	£	£
Wages and salaries	2,008,425	2,110,365
Social security costs	186,832	204,905
Cost of defined contribution scheme	44,741	44,473
	<u>2,239,998</u>	<u>2,359,743</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2023	2022
	No.	No.
Production	62	61
Office and management	7	6
	<u>69</u>	<u>67</u>

8. Interest receivable

	2023	2022
	£	£
Other interest receivable	-	20
	<u>-</u>	<u>20</u>

HOVAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

9. Interest payable and similar expenses

	2023 £	2022 £
Other loan interest payable	53,084	30,910
Finance leases and hire purchase contracts	60,839	58,567
Other interest payable	25,519	25,346
	<u>139,442</u>	<u>114,823</u>

10. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	222,808	-
	<u>222,808</u>	<u>-</u>
Total current tax	<u>222,808</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(38,389)	208,466
Total deferred tax	<u>(38,389)</u>	<u>208,466</u>
Taxation on profit on ordinary activities	<u>184,419</u>	<u>208,466</u>

HOVAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 23.52%% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	781,567	977,863
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52%% (2022 - 19%)	183,829	185,794
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	76	55
Fixed asset differences	2,786	(73,880)
Losses surrendered	-	46,465
Adjust deferred tax to standard corporation tax rate	(2,272)	50,032
Total tax charge for the year	184,419	208,466

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Dividends

	2023 £	2022 £
Dividends on ordinary shares	600,000	600,000
	600,000	600,000

HOVAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

12. Tangible fixed assets

	Short term leasehold property £	Plant & machinery £	Fixtures & fittings £	Total £
Cost or valuation				
At 1 January 2023	259,489	5,268,995	251,324	5,779,808
Additions	14,796	122,480	26,350	163,626
Disposals	-	(144,684)	(12,291)	(156,975)
At 31 December 2023	<u>274,285</u>	<u>5,246,791</u>	<u>265,383</u>	<u>5,786,459</u>
Depreciation				
At 1 January 2023	131,033	3,238,331	223,256	3,592,620
Charge for the year on owned assets	19,967	144,538	11,284	175,789
Charge for the year on financed assets	-	171,923	-	171,923
Disposals	-	(144,684)	(12,291)	(156,975)
At 31 December 2023	<u>151,000</u>	<u>3,410,108</u>	<u>222,249</u>	<u>3,783,357</u>
Net book value				
At 31 December 2023	<u>123,285</u>	<u>1,836,683</u>	<u>43,134</u>	<u>2,003,102</u>
At 31 December 2022	<u>128,455</u>	<u>2,030,664</u>	<u>28,068</u>	<u>2,187,187</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2023 £	2022 £
Plant and machinery	<u>1,372,491</u>	<u>1,544,414</u>
	<u>1,372,491</u>	<u>1,544,414</u>

HOVAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

13. Fixed asset investments

	Investments in associates £
Cost or valuation	
At 1 January 2023	8,000
At 31 December 2023	<u>8,000</u>

14. Stocks

	2023 £	2022 £
Raw materials and consumables	1,322,990	1,310,205
Work in progress (goods to be sold)	5,978	8,671
Finished goods and goods for resale	440,113	520,086
	<u>1,769,081</u>	<u>1,838,962</u>

15. Debtors

	2023 £	2022 £
Trade debtors	2,204,429	2,830,802
Amounts owed by group undertakings	469,533	701,187
Other debtors	19,427	22,449
Prepayments and accrued income	127,679	124,642
	<u>2,821,068</u>	<u>3,679,080</u>

HOVAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

16. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	97,302	199,801
Less: bank overdrafts	(555,481)	(1,261,846)
	(458,179)	(1,062,045)

17. Creditors: Amounts falling due within one year

	2023 £	2022 £
Invoice discounting facility	555,481	1,261,846
Trade creditors	1,712,086	2,231,715
Amounts owed to group undertakings	437,736	176,509
Corporation tax	222,809	1
Other taxation and social security	483,326	477,218
Obligations under finance lease and hire purchase contracts	267,394	249,714
Other creditors	97,168	50,539
Accruals and deferred income	157,382	389,923
	3,933,382	4,837,465

18. Creditors: Amounts falling due after more than one year

	2023 £	2022 £
Net obligations under finance leases and hire purchase contracts	534,312	803,465
	534,312	803,465

HOVAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023 £	2022 £
Within one year	267,394	249,714
Between 1-5 years	534,312	803,465
	801,706	1,053,179

20. Deferred taxation

	2023 £
At beginning of year	(489,648)
Movement in year	38,389
At end of year	(451,259)

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	(454,115)	(495,001)
Short term timing differences	2,856	5,353
	(451,259)	(489,648)

21. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
19,360 (2022 - 19,360) Ordinary shares shares of £1.00 each	19,360	19,360

HOVAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

22. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £44,741 (2022 - £44,473).

Contributions totalling £9,975 (2022 - £8,894) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

At 31 December 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	284,130	284,130
Later than 1 year and not later than 5 years	852,390	1,136,520
Later than 5 years	213,098	520,905
	<u>1,349,618</u>	<u>1,941,555</u>

24. Related party transactions

The group has taken advantage of FRS 102 Section 33.5, not to disclose details of transactions between entities that are part of the group, where the financial statements are publicly available and 100% of the voting rights are controlled within the group.

During the year sales of £212 (2022 - £1,763) were made and purchases of £8,693 (2022 - £4,168) with Delta Pack Limited, a fellow subsidiary of Grafham Holdings Limited. As at 31 December 2023, an amount of £165,191 (2022 - £195,729) was owed from Deltapack Limited.

During the year sales of £nil (2022 - £22,729) were made and purchases of £155,165 (2022 - £26,266) with MJ Supply Limited, a fellow subsidiary of Grafham Holdings Limited. As at 31 December 2023, an amount of £304,533 (2022 - £286,248) was owed from MJ Supply Limited.

During the year sales of £3,377 (2022 - £4,313) were made to Paper Straws London (PSL) Limited, a fellow subsidiary of Grafham Holdings Limited. As at 31 December 2023, an amount of £1,123 (2022 - £1,418) was owed from Paper Straws London (PSL) Limited.

25. Post balance sheet events

On the 11th March 2023 the Company acquired the business and assets of Triflex Productions (In Administration) Limited. This new venture will continue to operate from its Folkestone site and its Offset print technology naturally compliments the Flexographic print technology at its sister site in Maidstone. Combined, the two Hovat sites offer a comprehensive print solution to the Food Packaging sector.

HOVAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

26. Controlling party

This company is a 100% subsidiary of Grafham Holdings Limited, a company incorporated in England and Wales.

The ultimate parent undertaking is Corrugated Packaging Holdings Limited, a company incorporated in Ireland.

There is not an ultimate controlling party.