
Oliver Valves Limited

Annual Report and Financial Statements

For the year ended 30 September 2020

Oliver Valves Limited

Company Information

Directors	Dr Michael R Oliver OBE DL, Chairman Mark R Oliver C Kane R J Bedford P E Shillito N A Heward P Rowlands (appointed 10 October 2019)
Company secretary	Lynn Goryl
Registered number	01421817
Registered office	Parkgate Industrial Estate Knutsford Cheshire WA16 8DX
Independent auditors	Hurst Accountants Limited Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD
Bankers	National Westminster Bank plc 11 Spring Gardens Manchester M60 2DB
Solicitors	Hill Dickinson 50 Fountain Street Manchester M2 2AS

Oliver Valves Limited

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Strategic Report
For the year ended 30 September 2020

Introduction

The directors present the Strategic Report for the year ended 30 September 2020.

Business review

The financial performance of Oliver Valves Limited in the year to 30 September 2020 has been impressive. Although turnover was down slightly, gross margins improved and overheads reduced resulting in higher net profits. The company is in an excellent financial position with net current assets of £3.1m. Net debt has been reduced by £1.3m in the year to £1.9m. The first quarter of this next year looked extremely encouraging.

In the second quarter of the year we were faced, along with businesses across the Globe, with the crisis of the COVID-19 pandemic. This has proven to be the greatest challenge our business, and our entire economy, has faced in recent history. The directors carried out a variety of actions, including applying for applicable Government support (including utilisation of the Coronavirus Job Retention Scheme 'CJRS' for some employees), deferring or cancelling costs where appropriate and working to facilitate an environment where employees could work safely and effectively whilst following Government guidance. The business carried on throughout the pandemic.

The impact on demand for oil has been significant, and this in turn has driven a downward pressure on price. Brent Crude has begun to recover, but remains below \$50 per barrel, possibly throughout 2021.

Despite such challenges, we have delivered an impressive trading result in the financial year to 30 September 2020, which is testimony to our key strengths: a focused team of people across the world; protecting a central pillar of our business model, that "Gross Margin Is King"; and believing our motto "It Can Be Done!"

We look back on 2020 with a sense of pride that we have managed, despite adversity, to protect our business and our greatest asset, our people. Our business is robust and is ready for the challenges ahead for many years to come.

We look toward the next financial year, as many others do, with some uncertainty. This is however tempered with the knowledge that we have prepared well, having the structure, ethos and tenacity to succeed. Our supply chain is diversified, and we are nimble, able to make decisions and execute them quickly and effectively. These key attributes will serve us well in uncertain times.

Adding to this challenge, we now face the fact that the UK has left the European Union. While there remains a high degree of uncertainty regarding Brexit, we are confident as a business we have put the necessary contingencies in place to ensure we are well prepared. The Middle East and the Far East along with the USA are still our major suppliers of orders.

Strategic Report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties

Financial instruments

The Company's principal financial instruments comprise bank balances, trade creditors, trade debtors, intercompany loans and operating lease agreements. The main purpose of these instruments is to finance the Company's operations.

Due to the nature of the financial instruments used by the Company, there is little exposure to price risk. The Company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexible borrowing.

The inter company loan carries no interest and deals with transactions in the course of trading. Regular payments are received on this loan account.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The Company is a lessee in respect of operating leased assets. The liquidity risk in respect of these is managed in the same way as trade creditors above. Currency risk is managed through pricing strategies.

Other risks & uncertainties

Brent Crude Oil prices are now recovering and stabilising following its collapse in 2016. While this was impacted by the Covid-19 pandemic which saw prices fall to \$18 per barrel in April 2021 and remains potentially volatile, we believe its recovery is sustainable in the long term. This is shared by the market, as we are continuing to see large infrastructure investment taking place by customers.

Brexit remains an uncertainty for all businesses, and we continue to review and consider its effect upon our own business. We have considered our exposure, in particular with regard to EU supplies, and have contingencies in place.

Financial key performance indicators

The Company's financial KPI's focus on a number of critical areas – the "Gross Margin is King" philosophy remains the major factor in shaping the future success of the business and this is evidenced by the consistent performance year-on-year. Business liquidity runs in parallel with margins and is very closely monitored through management of working capital. Other financial KPI's are as follows:-

Current Ratio 1.56 (2019 - 1.31)

Cash flow forecasting forecast for the next financial year indicates increased cash reserves

Turnover – Actual £21M versus forecast £22M

Overhead expenditure - £7.0M vs prior year £7.3M (consistent as a percentage of turnover)

Inventory ratio 11:1 (2019 - 11:1)

Strategic Report (continued)
For the year ended 30 September 2020

Other key performance indicators

Non financial performance indicators are numerous but centre on the following:-

Customer Order On-time Delivery performance

Customer Order Overdues

Sales Order intake versus forecast

Total Sales Order Backlog

Supplier On-Time Delivery Performance

Employee workforce management

Quality Assurance

Health & Safety

This report was approved by the board and signed on its behalf.

Dr Michael R Oliver OBE DL
Chairman

Date: 9 March 2021

Directors' Report
For the year ended 30 September 2020

The directors present their report and the financial statements for the year ended 30 September 2020.

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 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;
- 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 £1,762,692 (2019 - £1,416,928).

Dividends paid during the year amounted to £1,300,000 (2019 - £nil).

Charitable contributions

During the year the company contributed £112,029 (2019 - £89,367) to charities.

Directors

The directors who served during the year were:

Dr Michael R Oliver OBE DL, Chairman
Mark R Oliver
C Kane
R J Bedford
P E Shillito
N A Howard
P Rowlands (appointed 10 October 2019)

Directors' Report (continued)
For the year ended 30 September 2020

Future developments

The likely future developments in the company's business are detailed in the Strategic Report.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

The auditors, Hurst Accountants Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Lynn Goryl
Secretary

Date: 9 March 2021

Independent Auditors' Report to the Members of Oliver Valves Limited

Opinion

We have audited the financial statements of Oliver Valves Limited (the 'company') for the year ended 30 September 2020, which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, 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 30 September 2020 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 Auditors' 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Independent Auditors' Report to the Members of Oliver Valves Limited (continued)

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 auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other 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 4, 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 Auditors' Report to the Members of Oliver Valves Limited (continued)

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Besant-Roberts (Senior Statutory Auditor)

for and on behalf of

Hurst Accountants Limited

Chartered Accountants

Statutory Auditors

Lancashire Gate

21 Tiviot Dale

Stockport

Cheshire

SK1 1TD

7 April 2021

**Statement of Comprehensive Income
For the year ended 30 September 2020**

	Note	2020 £	2019 £
Turnover	4	21,276,879	22,015,803
Cost of sales		(14,142,178)	(14,943,120)
Gross profit		7,134,701	7,072,683
Administrative expenses		(6,955,516)	(7,320,352)
Other operating income	5	2,010,650	2,013,488
Operating profit	6	2,189,835	1,765,819
Interest payable and expenses	10	(81,853)	(93,239)
Profit before tax		2,107,982	1,672,580
Tax on profit	11	(345,290)	(255,652)
Profit for the financial year		1,762,692	1,416,928

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 14 to 30 form part of these financial statements.

Oliver Valves Limited
Registered number: 01421817

Statement of Financial Position
As at 30 September 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	2,512,903	2,291,153
Investments	14	625	625
Investment property	15	-	350,000
		<u>2,513,528</u>	<u>2,641,778</u>
Current assets			
Stocks	16	1,999,452	2,180,182
Debtors: amounts falling due within one year	17	6,619,325	8,973,421
Cash at bank and in hand	18	79,051	25,798
		<u>8,697,828</u>	<u>11,179,401</u>
Creditors: amounts falling due within one year	19	(5,585,831)	(8,556,835)
Net current assets		<u>3,111,997</u>	<u>2,622,566</u>
Total assets less current liabilities		<u>5,625,525</u>	<u>5,264,344</u>
Creditors: amounts falling due after more than one year	20	(327,170)	(493,127)
Provisions for liabilities			
Deferred tax	22	(204,278)	(139,832)
Net assets		<u><u>5,094,077</u></u>	<u><u>4,631,385</u></u>
Capital and reserves			
Called up share capital	23	100,000	100,000
Profit and loss account	24	4,994,077	4,531,385
		<u><u>5,094,077</u></u>	<u><u>4,631,385</u></u>

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

Dr Michael R Oliver OBE DL
Chairman

Date: 9 March 2021

The notes on pages 14 to 30 form part of these financial statements.

Oliver Valves Limited

**Statement of Changes in Equity
For the year ended 30 September 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2019	100,000	4,531,385	4,631,385
Comprehensive income for the year			
Profit for the year	-	1,762,692	1,762,692
Total comprehensive income for the year	-	1,762,692	1,762,692
Contributions by and distributions to owners			
Dividends: Equity capital	-	(1,300,000)	(1,300,000)
Total transactions with owners	-	(1,300,000)	(1,300,000)
At 30 September 2020	100,000	4,994,077	5,094,077

**Statement of Changes in Equity
For the year ended 30 September 2019**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2018	100,000	3,114,457	3,214,457
Comprehensive income for the year			
Profit for the year	-	1,416,928	1,416,928
Total comprehensive income for the year	-	1,416,928	1,416,928
At 30 September 2019	100,000	4,531,385	4,631,385

Statement of Cash Flows
For the year ended 30 September 2020

	2020	2019
	£	£
Cash flows from operating activities		
Profit for the financial year	1,762,692	1,416,928
Adjustments for:		
Depreciation of tangible assets	212,429	181,586
Loss on disposal of tangible assets	-	827
Interest paid	81,853	93,239
Taxation charge	345,290	255,652
Decrease/(increase) in stocks	180,730	(497,217)
Decrease/(increase) in debtors	3,004,126	(1,448,680)
(Increase)/decrease in amounts owed by associates	(650,030)	167,854
(Decrease)/increase in creditors	(2,072,714)	1,139,276
(Decrease) in amounts owed to associates	(10,478)	(1,291,284)
Corporation tax (paid)	(256,149)	(435,138)
Net cash generated from operating activities	<u>2,597,749</u>	<u>(416,957)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(84,179)	(167,021)
Net cash from investing activities	<u>(84,179)</u>	<u>(167,021)</u>
Cash flows from financing activities		
Repayment of loans	(170,345)	(333,548)
Repayment of/new finance leases	(2,969)	(32,054)
Dividends paid	(1,300,000)	-
Interest paid	(81,853)	(93,239)
Net cash used in financing activities	<u>(1,555,167)</u>	<u>(458,841)</u>
Net increase/(decrease) in cash and cash equivalents	958,403	(1,042,819)
Cash and cash equivalents at beginning of year	(2,115,559)	(1,072,740)
Cash and cash equivalents at the end of year	<u>(1,157,156)</u>	<u>(2,115,559)</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	79,051	25,798
Bank overdrafts	(1,236,207)	(2,141,357)
	<u>(1,157,156)</u>	<u>(2,115,559)</u>

Oliver Valves Limited

Analysis of Net Debt
For the year ended 30 September 2020

	At 1 October 2019	Cash flows	At 30 September
	£	£	2020 £
Cash at bank and in hand	25,798	12,317	38,115
Bank overdrafts	(2,141,357)	905,150	(1,236,207)
Debt due after 1 year	(493,127)	165,957	(327,170)
Debt due within 1 year	(546,885)	188,971	(357,914)
Finance leases	(2,969)	2,969	-
	<u>(3,158,540)</u>	<u>1,275,364</u>	<u>(1,883,176)</u>

Notes to the Financial Statements
For the year ended 30 September 2020

1. General information

Oliver Valves Limited is a private company limited by share capital incorporated in England, registered number 01421817. The address of the registered office and principal place of business is Parkgate Industrial Estate, Knutsford, Cheshire, WA16 8DX.

The nature of the company's operation and its principal activity is the manufacture of high performance instrument valves for the oil, gas, power generation and petrochemical industries on a global supply basis.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention 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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The Covid-19 virus outbreak has had a significant impact on the majority of UK businesses. Since lockdown restrictions were implemented by the UK Government in March 2020, the directors have carried out a variety of actions, including applying for applicable Government support (including utilisation of the Coronavirus Job Retention Scheme 'CJRS' for some employees) and deferring or cancelling costs where appropriate.

Management have prepared forecasts which show the company will be able to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements
For the year ended 30 September 2020

2. Accounting policies (continued)

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:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised in accordance with the terms agreed with the customer. This is normally once the goods have been inspected and are ready for collection.

2.4 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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:

Freehold property	-	Over 50 years
Plant and machinery	-	10-50% straight line
Motor vehicles	-	25% straight line
Office equipment	-	15% & 33% straight line

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 the statement of comprehensive income.

**Notes to the Financial Statements
For the year ended 30 September 2020**

2. Accounting policies (continued)

2.5 Investment property

Investment property is carried at fair value determined annually. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

2.6 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

2.7 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.

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

2.8 Financial instruments

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to and from related parties and investments in non-puttable ordinary shares.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss.

2.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

Notes to the Financial Statements
For the year ended 30 September 2020

2. Accounting policies (continued)

2.10 Foreign currency translation

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate.

2.11 Operating leases

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

2.12 Leased assets

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.13 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 the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Notes to the Financial Statements
For the year ended 30 September 2020

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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 reporting 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 statement of financial position 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 reporting date.

2.15 Research and development

Research and development expenditure is written off in the year in which it is incurred.

Notes to the Financial Statements
For the year ended 30 September 2020

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

The key sources of estimation, uncertainty and critical accounting judgements in applying the company's policies are as follows:

Provision for impairment loss on trade debtors

The management of the company exercises significant judgement in providing for impairment loss on trade debtors. At 30 September 2020, the carrying value of trade debtors was £5,116,054 (2019 - £7,715,929).

Provision for obsolete and slow moving stocks

The company reviews its stocks to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the profit or loss, the company makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the estimated net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than the cost based on best estimates by the management. The provision for obsolescence of stock is based on the ageing and historical sales pattern. At 30 September 2020, the carrying value of stocks was £1,999,452 (2019 - £2,180,182).

Other estimates and judgements

Management of the company also exercises significant judgement in estimating the useful life of tangible fixed assets. At 30 September 2020, the carrying value of tangible fixed assets was £2,512,903 (2019 - £2,291,153).

Should these estimates vary, the profit or loss and balance sheet of the following years could be significantly impacted.

4. Turnover

The whole of the turnover is attributable to the principal activity of the business.

A geographical analysis of turnover is as follows:

	2020	2019
	£	£
Europe (incl. UK)	7,983,951	6,199,834
Rest of the world	13,292,928	15,815,969
	<u>21,276,879</u>	<u>22,015,803</u>

**Notes to the Financial Statements
For the year ended 30 September 2020**

5. Other operating income

	2020	2019
	£	£
Management recharges	1,860,860	2,013,488
Government grants receivable	149,790	-
	<u>2,010,650</u>	<u>2,013,488</u>

Government grants receivable relate to amounts claimed under the Coronavirus Job Retention Scheme.

6. Operating profit

The operating profit is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation of tangible fixed assets	212,429	181,586
Loss on disposal of tangible fixed assets	-	827
Research and development expenditure	506,672	363,286
Exchange differences	(44,519)	(45,508)
Other operating lease rentals	119,136	142,216
Defined contribution pension cost	<u>140,529</u>	<u>105,587</u>

7. Auditors' remuneration

Fees payable to the company's auditor and its associates in respect of:

Audit services	13,600	13,600
All other services	1,700	1,700
	<u>15,300</u>	<u>15,300</u>

Notes to the Financial Statements
For the year ended 30 September 2020

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020	2019
	£	£
Wages and salaries	4,339,232	4,511,586
Social security costs	430,718	459,874
Cost of defined contribution scheme	140,529	105,857
	4,910,479	5,077,317

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

	2020	2019
	No.	No.
Production	40	43
Administration	59	58
Sales	31	34
	130	135

9. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	900,619	794,355
Company contributions to defined contribution pension schemes	19,517	13,067
	920,136	807,422

During the year retirement benefits were accruing to 3 directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £312,429 (2019 - £244,207).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £ 8,333 (2019 - £NIL).

Notes to the Financial Statements
For the year ended 30 September 2020

10. Interest payable and similar expenses

	2020	2019
	£	£
Bank interest payable	74,180	86,434
Other interest payable	7,673	6,805
	<u>81,853</u>	<u>93,239</u>

11. Taxation

	2020	2019
	£	£
Corporation tax		
Current tax on profits for the year	300,773	239,321
Adjustments in respect of previous periods	(19,929)	-
Total current tax	<u>280,844</u>	<u>239,321</u>
Deferred tax		
Origination and reversal of timing differences	<u>64,446</u>	<u>16,331</u>
Taxation on profit on ordinary activities	<u>345,290</u>	<u>255,652</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020	2019
	£	£
Profit on ordinary activities before tax	<u>2,107,982</u>	<u>1,672,580</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 -19%)	400,517	317,790
Effects of:		
Expenses not deductible for tax purposes	9,472	13,547
Depreciation on ineligible assets	14,085	14,046
Adjustments to tax charge in respect of prior periods	(19,929)	-
Other timing differences leading to an increase (decrease) in taxation	66,293	-
R&D relief claim	<u>(125,148)</u>	<u>(89,731)</u>
Total tax charge for the year	<u>345,290</u>	<u>255,652</u>

Notes to the Financial Statements
For the year ended 30 September 2020

11. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2020 £	2019 £
Ordinary A		
Dividends paid on equity capital	<u>1,300,000</u>	<u>-</u>

13. Tangible fixed assets

	Land & buildings £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 October 2019	1,927,189	1,666,792	151,007	1,678,580	5,423,568
Additions	-	11,781	-	72,398	84,179
Transfer from investment property	350,000	-	-	-	350,000
At 30 September 2020	<u>2,277,189</u>	<u>1,678,573</u>	<u>151,007</u>	<u>1,750,978</u>	<u>5,857,747</u>
Depreciation					
At 1 October 2019	185,625	1,413,979	83,956	1,448,855	3,132,415
Charge for the year	43,629	82,755	21,336	64,709	212,429
At 30 September 2020	<u>229,254</u>	<u>1,496,734</u>	<u>105,292</u>	<u>1,513,564</u>	<u>3,344,844</u>
Net book value					
At 30 September 2020	<u>2,047,935</u>	<u>181,839</u>	<u>45,715</u>	<u>237,414</u>	<u>2,512,903</u>
At 30 September 2019	<u>1,741,564</u>	<u>252,813</u>	<u>67,051</u>	<u>229,725</u>	<u>2,291,153</u>

Notes to the Financial Statements
For the year ended 30 September 2020

13. Tangible fixed assets (continued)

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

	2020 £	2019 £
Plant and machinery	-	98,336

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2019	625
At 30 September 2020	625

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Oliver Valves LLC	Houston, USA	Sales and marketing support	Ordinary	100 %

The results have not been consolidated into the accounts as the directors feel the amounts involved are immaterial.

The aggregate of the share capital and reserves as at 30 September 2020 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Oliver Valves LLC	180,772	4,967

Notes to the Financial Statements
For the year ended 30 September 2020

15. Investment property

	Freehold investment property £
At 1 October 2019	350,000
Transfer to tangible fixed assets	<u>(350,000)</u>
At 30 September 2020	<u><u>-</u></u>

The building classified as investment property in the previous year is now being used within the business therefore has been transferred into tangible fixed assets.

16. Stocks

	2020 £	2019 £
Raw materials	1,145,258	1,581,058
Work in progress	159,019	134,037
Finished goods and goods for resale	695,175	465,087
	<u>1,999,452</u>	<u>2,180,182</u>

An impairment charge of £174,161 (2019 - £220,926) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

17. Debtors

	2020 £	2019 £
Trade debtors	5,116,054	7,715,929
Amounts owed by connected companies	1,122,980	472,950
Other debtors	169,989	536,983
Prepayments and accrued income	210,302	247,559
	<u>6,619,325</u>	<u>8,973,421</u>

There was an impairment reversal recognised against trade debtors of £227 (2019 - impairment charge of £26,442).

Notes to the Financial Statements
For the year ended 30 September 2020

18. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	79,051	25,798
Less: bank overdrafts	(1,236,207)	(2,141,357)
	<u>(1,157,156)</u>	<u>(2,115,559)</u>

19. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Bank overdrafts	1,236,207	2,141,357
Bank loans	345,759	350,147
Trade creditors	1,580,059	3,760,742
Amounts owed to associates	704,132	714,610
Corporation tax	271,982	247,287
Other taxation and social security	90,890	140,560
Obligations under finance lease and hire purchase contracts	-	2,969
Other creditors	144,703	274,572
Accruals and deferred income	1,212,099	924,591
	<u>5,585,831</u>	<u>8,556,835</u>

Secured loans

Bank overdrafts and loans are secured by a legal charge over the freehold property of the company and a debenture over all the assets of the company.

Net obligations under hire purchase contracts are secured against the assets to which they relate.

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

	2020	2019
	£	£
Bank loans	<u>327,170</u>	<u>493,127</u>

Secured loans

Bank overdrafts and loans are secured by a legal charge over the freehold property of the company and a debenture over all the assets of the company.

Notes to the Financial Statements
For the year ended 30 September 2020

21. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	345,759	350,147
Amounts falling due 1-2 years		
Bank loans	39,380	188,607
Amounts falling due 2-5 years		
Bank loans	287,790	304,520
	<u>672,929</u>	<u>843,274</u>

22. Deferred taxation

	2020 £	2019 £
At beginning of year	139,832	123,501
Charged to profit or loss	64,446	16,331
At end of year	<u>204,278</u>	<u>139,832</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	208,677	143,976
Other timing differences	(4,399)	(4,144)
	<u>204,278</u>	<u>139,832</u>

Notes to the Financial Statements
For the year ended 30 September 2020

23. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
50,100 (2019 - 50,100) Ordinary shares of £1.00 each	50,100	50,100
49,900 (2019 - 49,900) Ordinary A shares of £1.00 each	49,900	49,900
	<u>100,000</u>	<u>100,000</u>

Ordinary shares do not qualify for dividend awards. Ordinary and ordinary A shares rank pari passu in all other respects.

24. Reserves

Profit and loss account

Comprises all current and prior period retained profits and losses.

Included within retained profits and losses are non-distributable reserves of £518,631 (2019 - £542,549) in respect of revaluations of land and buildings, net of depreciation recognised in the profit and loss account in excess of depreciation applicable under the historical cost convention.

25. Pension commitments

The company operates a defined contributions 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 £140,529 (2019 - £105,857). Contributions totalling £23,150 (2019 - £21,815) were payable to the fund at the balance sheet date.

Notes to the Financial Statements
For the year ended 30 September 2020

26. Commitments under operating leases

At 30 September 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	2019
	£	£
Land and buildings		
Not later than 1 year	16,333	58,507
Later than 1 year and not later than 5 years	-	77,871
	<u>16,333</u>	<u>136,378</u>
	2020	2019
	£	£
Other operating leases		
Not later than 1 year	38,644	34,648
Later than 1 year and not later than 5 years	46,855	62,621
	<u>85,499</u>	<u>97,269</u>

27. Transactions with directors

Included within other debtors due within one year as at 30 September 2019 was a loan to a director amounting to £100,000. This was fully repaid in the year.

28. Related party transactions

	2020	2019
	£	£
Sales made on behalf of related companies	648,928	391,322
Management charges to related companies	1,860,860	2,013,488
Purchases from related companies	(6,998,431)	(7,574,351)
Management charges from related companies	(266,544)	(417,537)
Sales to related companies	206,047	144,548
Key management personnel compensation	(920,136)	(807,422)
Dividends paid to directors	(1,300,000)	-
Directors' loan account creditor	(2,769)	(15,578)
Rental payments to directors	(27,000)	(42,000)
	<u>(27,000)</u>	<u>(42,000)</u>

Related companies consist of companies under common control and/or directorship. Balances existing at the year end with related companies in respect of the transactions above are detailed in the debtors and creditors notes.

Notes to the Financial Statements
For the year ended 30 September 2020

29. Controlling party

The company is controlled by Dr Michael R Oliver OBE DL who holds the majority of the voting share capital.

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