
Oliver Valves Limited

Annual Report and Financial Statements

For the year ended 30 September 2019

Oliver Valves Limited

Company Information

Directors	Dr Michael R Oliver OBE DL, Chairman Mark R Oliver C Kane R J Bedford P E Shillito (appointed 1 March 2019) N A Howard (appointed 1 March 2019) 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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Oliver Valves Limited

Strategic Report For the year ended 30 September 2019

Introduction

The directors present the Strategic Report for the year ended 30 September 2019.

Business review

The year to 30 September 2019 proved to be another exceptional performance from Oliver Valves Limited, shipping £22 million of our valves and associated products to our customers across the Globe. Whilst our 2019 result is encouraging, we look to the future, and remain highly focused as an organisation to continue to drive growth and profitability.

Sales order intake has been impressive, a 6% increase on the previous year. This places us in a strong position as we enter the new financial year, with an increased backlog to deliver to our customers in the next financial year.

We saw positive signs of recovery in the Oil and Gas sector in 2018, and this trend seems set to continue, with Global Crude Oil prices stabilising. We remain confident this is a sustainable trend, and as such we have forecast further improvement in our performance in the coming years.

The philosophy that underpins our business model is that "Gross Margin is King". Our market is highly competitive, with rising cost of raw materials and demand for lower prices from our major customers. Despite such external pressures, we have delivered a Gross Margin of 30%, an excellent achievement in such an environment. By the application of strong commercial negotiation with customers and our supply chain, offering a range of innovative, high quality products, and monitoring our overhead cost base carefully, we have delivered a pre-tax net profit of £1.67m.

We have been, and continue to be, a major force in valve technology globally, with a highly recognisable brand, a range of high quality, innovative products, a wealth of experience and knowledge, and a dedicated team in place to support the continuing success of Oliver Valves Limited into the future.

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.

Oliver Valves Limited

Strategic Report (continued)
For the year ended 30 September 2019

Other risks & uncertainties

Brent Crude Oil prices are now recovering and stabilising following its collapse in 2016. While this remains potentially volatile, we believe its recovery is sustainable. 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 1.31 (2018 - 1.19)

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

Turnover – Actual £22M versus forecast £21M

Overhead expenditure - £7.3M vs prior year £6.7M (3% decrease as a percentage of turnover)

Inventory ratio 11:1 (2018 - 12:1)

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: 11 February 2020

Oliver Valves Limited

Directors' Report For the year ended 30 September 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

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 £1,416,928 (2018 - £2,204,108).

Dividends paid during the year amounted to £nil (2018 - £3,894,179).

Charitable contributions

During the year the company contributed £89,367 (2018 - £204,947) 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 (appointed 1 March 2019)
N A Howard (appointed 1 March 2019)

Future developments

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

Oliver Valves Limited

Directors' Report (continued)
For the year ended 30 September 2019

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: 11 February 2020

Oliver Valves Limited

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 2019, 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 2019 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.

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.

Oliver Valves Limited

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

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 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.

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.

Oliver Valves Limited

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

Use of our report

This report is made solely to the company's members 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 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

26 February 2020

Oliver Valves Limited

Statement of Comprehensive Income
For the year ended 30 September 2019

	Note	2019 £	2018 £
Turnover	4	22,015,803	20,137,574
Cost of sales		(14,943,120)	(12,442,470)
Gross profit		7,072,683	7,695,104
Administrative expenses		(7,320,352)	(6,674,291)
Other operating income	5	2,013,488	1,680,000
Operating profit	6	1,765,819	2,700,813
Interest payable and expenses	10	(93,239)	(70,504)
Profit before tax		1,672,580	2,630,309
Tax on profit	11	(255,652)	(426,201)
Profit for the financial year		1,416,928	2,204,108

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 12 to 28 form part of these financial statements.

Oliver Valves Limited
Registered number: 01421817

Statement of Financial Position
As at 30 September 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	2,291,153	2,306,545
Investments	14	625	625
Investment property	15	350,000	350,000
		<u>2,641,778</u>	<u>2,657,170</u>
Current assets			
Stocks	16	2,180,182	1,682,965
Debtors: amounts falling due within one year	17	8,973,421	7,692,595
Cash at bank and in hand	18	25,798	60,647
		<u>11,179,401</u>	<u>9,436,207</u>
Creditors: amounts falling due within one year	19	(8,556,835)	(7,916,885)
Net current assets		<u>2,622,566</u>	<u>1,519,322</u>
Total assets less current liabilities		<u>5,264,344</u>	<u>4,176,492</u>
Creditors: amounts falling due after more than one year	20	(493,127)	(838,534)
Provisions for liabilities			
Deferred tax	24	(139,832)	(123,501)
Net assets		<u><u>4,631,385</u></u>	<u><u>3,214,457</u></u>
Capital and reserves			
Called up share capital	25	100,000	100,000
Profit and loss account	26	4,531,385	3,114,457
		<u><u>4,631,385</u></u>	<u><u>3,214,457</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: 11 February 2020

The notes on pages 12 to 28 form part of these financial statements.

Oliver Valves Limited

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 Changes in Equity
For the year ended 30 September 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2017	100,000	4,804,528	4,904,528
Comprehensive income for the year			
Profit for the year	-	2,204,108	2,204,108
Total comprehensive income for the year	-	2,204,108	2,204,108
Contributions by and distributions to owners			
Dividends: Equity capital	-	(3,894,179)	(3,894,179)
Total transactions with owners	-	(3,894,179)	(3,894,179)
At 30 September 2018	100,000	3,114,457	3,214,457

Oliver Valves Limited

Statement of Cash Flows
For the year ended 30 September 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit for the financial year	1,416,928	2,204,108
Adjustments for:		
Depreciation of tangible assets	181,586	161,849
Loss on disposal of tangible assets	827	23,000
Interest paid	93,239	70,504
Taxation charge	255,652	426,201
(Increase) in stocks	(497,217)	(32,281)
(Increase) in debtors	(1,448,680)	(2,061,969)
Decrease/(increase) in amounts owed by associates	167,854	(266,374)
Increase in creditors	1,139,276	837,373
(Decrease)/increase in amounts owed to associates	(1,291,284)	1,665,808
Corporation tax (paid)	(435,138)	(421,693)
Net cash generated from operating activities	<u>(416,957)</u>	<u>2,606,526</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(167,021)	(81,884)
Net cash from investing activities	<u>(167,021)</u>	<u>(81,884)</u>
Cash flows from financing activities		
Repayment of loans	(333,548)	(316,866)
Repayment hire purchase	(32,054)	(32,387)
Dividends paid	-	(3,894,179)
Interest paid	(93,239)	(70,504)
Net cash used in financing activities	<u>(458,841)</u>	<u>(4,313,936)</u>
Net (decrease) in cash and cash equivalents	<u>(1,042,819)</u>	<u>(1,789,294)</u>
Cash and cash equivalents at beginning of year	(1,072,740)	716,554
Cash and cash equivalents at the end of year	<u><u>(2,115,559)</u></u>	<u><u>(1,072,740)</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	25,798	60,647
Bank overdrafts	(2,141,357)	(1,133,387)
	<u><u>(2,115,559)</u></u>	<u><u>(1,072,740)</u></u>

Oliver Valves Limited

Notes to the Financial Statements For the year ended 30 September 2019

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 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 at the point the goods are ready for collection.

2.3 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, 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.

Oliver Valves Limited

**Notes to the Financial Statements
For the year ended 30 September 2019**

2. Accounting policies (continued)

2.3 Tangible fixed assets (continued)

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.

2.4 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.

2.5 Valuation of investments

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

2.6 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.

**Notes to the Financial Statements
For the year ended 30 September 2019**

2. Accounting policies (continued)

2.7 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.

2.8 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.

2.9 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.10 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.

Notes to the Financial Statements
For the year ended 30 September 2019

2. Accounting policies (continued)

2.11 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.

2.12 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.

2.13 Research and development

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

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

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.

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.

Other estimates and judgements

Management of the company also exercises significant judgement in estimating the useful life of tangible fixed assets.

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:

	2019	2018
	£	£
Europe (incl. UK)	6,199,834	6,274,056
Rest of the world	15,815,969	13,863,518
	<u>22,015,803</u>	<u>20,137,574</u>

5. Other operating income

	2019	2018
	£	£
Management recharges	<u>2,013,488</u>	<u>1,680,000</u>

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

6. Operating profit

The operating profit is stated after charging:

	2019	2018
	£	£
Depreciation of tangible fixed assets	181,586	161,849
Loss on disposal of tangible fixed assets	(827)	-
Research and development expenditure	363,286	343,895
Exchange differences	(45,508)	22,556
Other operating lease rentals	142,216	105,482
Defined contribution pension cost	<u>105,857</u>	<u>79,807</u>

7. Auditors' remuneration

	2019	2018
	£	£
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>13,600</u>	<u>13,600</u>
Fees payable to the company's auditor and its associates in respect of:		
All other services	<u>1,700</u>	<u>1,700</u>

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

8. Employees

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

	2019	2018
	£	£
Wages and salaries	4,511,586	3,946,198
Social security costs	459,874	401,099
Cost of defined contribution scheme	105,857	79,807
	<u>5,077,317</u>	<u>4,427,104</u>

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

	2019	2018
	No.	No.
Production	43	38
Administration	58	50
Sales	34	32
	<u>135</u>	<u>120</u>

9. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	794,355	787,109
Company contributions to defined contribution pension schemes	13,067	9,600
	<u>807,422</u>	<u>796,709</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £244,207 (2018 - £241,335).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £ NIL (2018 - £4,800).

Oliver Valves Limited

**Notes to the Financial Statements
For the year ended 30 September 2019**

10. Interest payable and similar expenses

	2019	2018
	£	£
Bank interest payable	86,434	70,504
Other interest payable	6,805	-
	93,239	70,504

11. Taxation

	2019	2018
	£	£
Corporation tax		
Current tax on profits for the year	239,321	441,191
Adjustments in respect of previous periods	-	(25,668)
Total current tax	239,321	415,523
Deferred tax		
Origination and reversal of timing differences	16,331	10,678
Taxation on profit on ordinary activities	255,652	426,201

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£	£
Profit on ordinary activities before tax	1,672,580	2,630,309
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	317,790	499,759
Effects of:		
Expenses not deductible for tax purposes	13,547	22,972
Depreciation on ineligible assets	14,046	14,042
Adjustments to tax charge in respect of prior periods	-	(25,668)
Short term timing difference leading to an increase (decrease) in taxation	-	38
R&D relief claim	(89,731)	(84,942)
Total tax charge for the year	255,652	426,201

Oliver Valves Limited

**Notes to the Financial Statements
For the year ended 30 September 2019**

12. Dividends

	2019	2018
	£	£
Ordinary A		
Dividends paid on equity capital	-	<u>3,894,179</u>

13. Tangible fixed assets

	Land & buildings	Plant and machinery	Motor vehicles	Office equipment	Total
	£	£	£	£	£
Cost					
At 1 October 2018	1,916,059	1,628,762	81,292	1,636,702	5,262,815
Additions	11,130	38,030	69,715	48,146	167,021
Disposals	-	-	-	(6,268)	(6,268)
At 30 September 2019	<u>1,927,189</u>	<u>1,666,792</u>	<u>151,007</u>	<u>1,678,580</u>	<u>5,423,568</u>
Depreciation					
At 1 October 2018	141,996	1,331,794	68,470	1,414,010	2,956,270
Charge for the year	43,629	82,185	15,486	40,286	181,586
Disposals	-	-	-	(5,441)	(5,441)
At 30 September 2019	<u>185,625</u>	<u>1,413,979</u>	<u>83,956</u>	<u>1,448,855</u>	<u>3,132,415</u>
Net book value					
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>
<i>At 30 September 2018</i>	<u>1,774,063</u>	<u>296,968</u>	<u>12,822</u>	<u>222,692</u>	<u>2,306,545</u>

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

	2019	2018
	£	£
Plant and machinery	<u>98,336</u>	<u>118,336</u>

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2018	625
At 30 September 2019	<u>625</u>

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 2019 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	<u>189,663</u>	<u>11,874</u>

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

15. Investment property

	Freehold investment property £
Valuation	
At 1 October 2018	350,000
At 30 September 2019	<u>350,000</u>

The 2019 valuations were made by the directors, on an open market value for existing use basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	2018 £
Historic cost	311,780	311,780
Accumulated depreciation and impairments	(41,571)	(35,335)
	<u>270,209</u>	<u>276,445</u>

16. Stocks

	2019 £	2018 £
Raw materials	1,581,058	1,249,496
Work in progress	134,037	111,976
Finished goods and goods for resale	465,087	321,493
	<u>2,180,182</u>	<u>1,682,965</u>

Stock recognised in cost of sales during the year as an expense was £14,130,229 (2018 - £11,551,912).

An impairment charge of £220,926 (2018 - reversal £210,202) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

17. Debtors

	2019	2018
	£	£
Trade debtors	7,715,929	6,423,954
Amounts owed by connected companies	472,950	640,804
Other debtors	536,983	354,884
Prepayments and accrued income	247,559	272,953
	<u>8,973,421</u>	<u>7,692,595</u>

There was an impairment loss recognised against trade debtors of £26,442 (2018 - £61,181).

18. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	25,798	60,647
Less: bank overdrafts	(2,141,357)	(1,133,387)
	<u>(2,115,559)</u>	<u>(1,072,740)</u>

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

19. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Bank overdrafts	2,141,357	1,133,387
Bank loans	350,147	338,288
Trade creditors	3,760,742	1,874,649
Amounts owed to connected companies	714,610	2,005,894
Corporation tax	247,287	443,104
Other taxation and social security	140,560	111,467
Obligations under finance lease and hire purchase contracts	2,969	35,023
Other creditors	274,572	1,484,319
Accruals and deferred income	924,591	490,754
	<u>8,556,835</u>	<u>7,916,885</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

	2019	2018
	£	£
Bank loans	<u>493,127</u>	<u>838,534</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.

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

21. Loans

Analysis of the maturity of loans is given below:

	2019	2018
	£	£
Amounts falling due within one year		
Bank loans	350,147	338,288
Amounts falling due 1-2 years		
Bank loans	188,607	350,109
Amounts falling due 2-5 years		
Bank loans	304,520	488,425
	<u>843,274</u>	<u>1,176,822</u>

22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019	2018
	£	£
Within one year	<u>2,969</u>	<u>35,023</u>

23. Financial instruments

	2019	2018
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>8,253,390</u>	<u>7,120,769</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>8,361,466</u>	<u>6,772,776</u>

Financial assets that are debt instruments measured at amortised cost comprise amounts owed by associated companies, trade and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, amounts owed to associated companies, net obligations under hire purchase contracts, other creditors and accruals.

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

24. Deferred taxation

	2019 £	2018 £
At beginning of year	123,501	112,823
Charged to profit or loss	16,331	10,678
At end of year	139,832	123,501

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	143,976	126,606
Other timing differences	(4,144)	(3,105)
	139,832	123,501

25. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
50,100 (2018 - 50,100) Ordinary shares of £1.00 each	50,100	50,100
49,900 (2018 - 49,900) Ordinary A shares of £1.00 each	49,900	49,900
	100,000	100,000

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

26. 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 £542,549 (2018 - £545,198) 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.

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

27. 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 £105,857 (2018 - £79,807). Contributions totalling £21,815 (2018 - £16,343) were payable to the fund at the balance sheet date.

28. Commitments under operating leases

At 30 September 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Land and buildings		
Not later than 1 year	58,507	74,692
Later than 1 year and not later than 5 years	77,871	136,378
	<u>136,378</u>	<u>211,070</u>
	2019	2018
	£	£
Other operating leases		
Not later than 1 year	34,648	36,467
Later than 1 year and not later than 5 years	62,621	47,090
	<u>97,269</u>	<u>83,557</u>

29. Transactions with directors

Included within other debtors due within one year is a loan to a director, amounting to £100,000 (2018 - £nil). The loan is interest free and is repayable within 3 years.

Oliver Valves Limited

Notes to the Financial Statements
For the year ended 30 September 2019

30. Related party transactions

	2019	2018
	£	£
Sales made on behalf of related companies	391,322	1,067,696
Management charges to related companies	2,013,488	1,680,000
Purchases from related companies	(7,574,351)	(5,840,558)
Management charges from related companies	(417,537)	(295,271)
Sales to related companies	144,548	107,472
Key management personnel compensation	(807,422)	(796,709)
Dividends paid to directors	-	(3,894,179)
Directors' loan account creditor	(15,578)	(1,395,626)
Rental payments to directors	(42,000)	(42,000)

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.

31. 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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