

Company Registration No. 02532854 (England and Wales)

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

**SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
COMPANY INFORMATION**

Directors	L Amram R Moulds	{Appointed 1 October 2020}
Secretary	M Zinno	
Company number	02532854	
Registered office	D Shed West Building 72 To 74 Humber Enterprise Park Skua Road Brough England HU15 1EQ	
Auditor	BHP LLP New Chartford House Centurion Way Cleckheaton Bradford West Yorkshire BD19 3QB	

**SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
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**SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
STRATEGIC REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The company was sold in September 2020. This subsequently led to a change in legal entity structure for both the immediate and ultimate parent company. As a result of this the company changed its name from Wartsila Valves Limited to Shiphams Valves Limited.

The company vision is to be renowned as the experts, the market leader in our sector, delivering an unsurpassable customer service across our product range.

Our mission is to be a professional, agile business constantly originating products with features that deliver benefits and services and, through the establishment of long-term relationships, create and maintain a positive experience for all our stakeholders.

The business continues to streamline and standardise its product portfolio to improve cost efficiency and profitability, whilst developing products to satisfy market requirements. These steps will enable the company to continue improving its position in the market going forward.

The company maintains accreditation to ISO 9001, ISO 14001 and OHSAS 18000. These accreditations provide evidence of the company's commitment to Quality, Environment, and Health & Safety. In addition, several new customer approvals have been obtained within 2020, this has strengthened the company's position going forward.

The company's performance in 2020 can be attributed as a result of actions taken in prior years. With regards to the closure of its machine shop, change in senior management team and relocation of the business premises.

Commencing in 2019 the business began to establish a robust supply chain; implement a quality management system; and improve internal processes. The benefit of these steps began to materialise and was demonstrated in increased revenue and profitability during 2019 and 2020.

Throughout 2020 further improvements continued to be made, the most significant of which was establishing the company as an SME and divesting from a large corporation, and also planning the opening of an inhouse machine shop.

It is expected that these improvements will continue which, along with a healthy order book and future product development, will allow favourable revenue growth and increased market share.

The directors utilise turnover, gross profit margin and operating profit as their financial KPI's. From 2019 to 2020 turnover fell by 36% due to a project in 2019 (£4.2m) booked for the former group, operating losses for December 2020 increased to £2,249,960 excluding the exceptional item and gross margin fell to 7.5%.

Principal risks and uncertainties

As stated in previous years the company's principal markets are the Oil and Gas industry. Market conditions in these industries currently present some uncertainty and therefore risk to the business. Product development and access to new markets will provide some mitigation to this market risk.

On behalf of the board

R Moulds
Director

28 September 2021

**SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
DIRECTORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of the manufacture of taps and valves.

Change in ownership

There was a change in ownership and legal structure on 1 October 2020. From this date, the immediate parent company is Shiphams Holdings Limited, a company incorporated in England and Wales. The registered office of the parent undertaking is D Shed West, Building 72 – 74 Humber Enterprise Park, Skua Road, Brough, HU15 1EQ.

On the 23 September 2020, prior to the change in ownership, there was an issue of one £0.05 share at a price of £13,178,622.

Change of name

Wartsila Valves Limited changed its name to Shiphams Valves Limited on 3rd October 2020.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

L Amram	(Appointed 1 October 2020)
R Moulds	
T De Gruijter	(Appointed 1 March 2020 and resigned 1 July 2020)
A J Lehtinen	(Resigned 1 October 2020)
C D Rowlands	(Resigned 1 October 2020)

Financial instruments

The company's operations expose it to a variety of financial risk that include the effects of credit risk, liquidity risk, interest rates and foreign currency risk.

Interest rate and foreign currency cash flow risk

The company's capital management is arranged internally with its investors in a bid to avoid third party interest risks. The company operates globally with contracts taken in multiple currencies and the majority of its earnings being generated outside the UK. Changes in global currency rates can result in changes to expected cash flows if unhedged and affect the competitive position of the business. The group's policy is to fully hedge transactional currency exposure where practicable.

Credit risk

The company has a comprehensive credit risk management policy covering both the introduction of new customers and the management of existing customer's debts. The company regularly reviews all of its debtors and takes necessary action to collect all monies and mitigate financial risk.

Liquidity risk

The company maintains long-term debt finance, via its parent company, which is designed to ensure the company has sufficient available funds for operations and planned expansions.

**SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
DIRECTORS' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2020

Future developments

The business strives for continuous improvement and plans to develop a standardised product portfolio, and will be investing in resource to streamline its procedures and improve the quality management systems.

Auditor

BHP LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

R Moulds
Director

28 September 2021

**SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHIPHAM VALVES LIMITED**

Opinion

We have audited the financial statements of Shipham Valves Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

**SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF SHIPHAM VALVES LIMITED**

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 and the directors' report.

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

- adequate accounting records have not been kept, 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

We focused on laws and regulations, relevant to the company, which could give rise to a material misstatement in the financial statements. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management, review of company minutes and legal expenses. There are inherent limitations in the audit procedures described and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As part of our audit, we addressed the risk of management override of internal controls, including testing of journals and review of nominal ledger. We evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF SHIPHAM VALVES LIMITED**

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lesley Kendrew (Senior Statutory Auditor)
For and on behalf of BHP LLP

29 September 2021

Chartered Accountants
Statutory Auditor

New Chartford House
Centurion Way
Cleckheaton
Bradford
West Yorkshire
BD19 3QB

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	8,312,357	13,002,862
Cost of sales		(7,691,118)	(9,651,692)
Gross profit		621,239	3,351,170
Distribution costs		(456,441)	(1,022,579)
Administrative expenses		(2,562,015)	(3,427,343)
Other operating income		147,257	-
Exceptional item	4	(3,285,667)	-
Operating loss	5	(5,535,627)	(1,098,752)
Interest receivable and similar income	8	1,026	3,470
Interest payable and similar expenses	9	(183,698)	(235,280)
Loss before taxation		(5,718,299)	(1,330,562)
Tax on loss	10	5,375	311,208
Loss for the financial year		(5,712,924)	(1,019,354)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	12	458,673		-	
Tangible assets	13	652,342		792,309	
Investments	14	-		-	
		1,111,015		792,309	
Current assets					
Stocks	16	3,602,305		7,327,608	
Debtors	17	4,205,461		10,498,110	
Cash at bank and in hand		1,511,420		87,583	
		9,319,186		17,913,301	
Creditors: amounts falling due within one year	18	(1,779,654)		(17,520,761)	
Net current assets		7,539,532		392,540	
Net assets		8,650,547		1,184,849	
Capital and reserves					
Called up share capital	21	422,166		422,166	
Share premium account		13,178,622		-	
Capital redemption reserve		119,084		119,084	
Profit and loss reserves		(5,069,325)		643,599	
Total equity		8,650,547		1,184,849	

The financial statements were approved by the board of directors and authorised for issue on 28 September 2021 and are signed on its behalf by:

R Moulds
Director

Company Registration No. 02532854

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£	£
As restated for the period ended 31 December 2019:					
Balance at 1 January 2019	422,166	-	119,084	1,662,953	2,204,203
Year ended 31 December 2019:					
Loss and total comprehensive income for the year	-	-	-	(1,019,354)	(1,019,354)
Balance at 31 December 2019	422,166	-	119,084	643,599	1,184,849
Year ended 31 December 2020:					
Loss and total comprehensive income for the year	-	-	-	(5,712,924)	(5,712,924)
Other movements	-	13,178,622	-	-	13,178,622
Balance at 31 December 2020	422,166	13,178,622	119,084	(5,069,325)	8,650,547

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	24				
		(12,266,580)		266,588	
Interest paid		(183,698)		(235,280)	
Income taxes refunded/(paid)		1,118,469		-	
Net cash (outflow)/inflow from operating activities		(11,331,809)		31,308	
Investing activities					
Purchase of intangible assets		(424,002)		-	
Purchase of tangible fixed assets		-		(101,001)	
Interest received		1,026		3,470	
Net cash used in investing activities		(422,976)		(97,531)	
Financing activities					
Proceeds from issue of shares		13,178,622		-	
Net cash generated from/(used in) financing activities		13,178,622		-	
Net increase/(decrease) in cash and cash equivalents		1,423,837		(66,223)	
Cash and cash equivalents at beginning of year		87,583		153,806	
Cash and cash equivalents at end of year		1,511,420		87,583	

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Shiphams Valves Limited is a private company limited by shares incorporated in England and Wales. The registered office is D Shed West Building 72 To 74, Humber Enterprise Park, Skua Road, Brough, England, HU15 1EQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2020 are the first financial statements of Shiphams Valves Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2019. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 26.

1.2 Going concern

The Directors have considered the impact of COVID-19 on the Company's trade, workforce and supply chain, as well as the wider economy. Whilst it is not considered practical to accurately assess the duration and extent of the disruption, the Directors are confident that they have in place plans to deal with any financial losses that may arise. Such plans include, but are not limited to fully utilising the support that has been made available by the government in relation to staff costs.

The company suffered a loss for the year to 31 December 2020 of £2,249,960 excluding the exceptional item, resulting in a deficit on profit and loss reserves carried forward of £5,069,325.

The result for 2020 was in accordance with expectations in terms of turnover, gross margin, overheads and contribution. Projections and results for 2021/2022 already show an improvement; the order book currently exceeds £8m and internal efficiency has been improved by the new business model the company has set up, together with the implementation of the new machine shop.

The directors of the new parent company have expressed their intention to continue providing financial support to the company for a period of at least twelve months from the date of approval of the financial statements.

The directors have concluded that it is appropriate to prepare the company's financial statements on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future and that it is reasonable to assume that the necessary financial support will continue to be provided by the new parent company.

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life. A goodwill impairment was made in 2019, to fully impair goodwill.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs

Straight line over 10 years once complete

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2.5% / 10% straight line
Plant and equipment	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.8 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. This is calculated on weighted average costs.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

SHIPHAM VALVES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Grants received in relation to the government Coronavirus Job Retention Scheme (Furlough) have been recognised within other operating income. The grant is accounted for on the accruals basis once the related payroll return has been submitted.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Sale of goods	8,312,357	13,002,862
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other significant revenue		
Interest income	1,026	3,470
Grants received	47,257	-
Assignment of intellectual property rights	100,000	-
	<u> </u>	<u> </u>

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue		(Continued)	
	2020	2019	
	£	£	
Turnover analysed by geographical market			
UK	2,480,593	3,285,555	
North America	1,043,092	300,246	
Europe	934,029	5,412,237	
Middle East	1,494,341	2,647,206	
Far East and Asia	1,933,818	1,236,919	
Rest of World	426,484	120,699	
	<u>8,312,357</u>	<u>13,002,862</u>	

4 Exceptional items		2020	2019
		£	£
Expenditure			
Exceptional item - Cost of sales	-	429,000	
Exceptional item - Administration costs	-	119,000	
Exceptional item - Above operating loss	3,285,667	-	
	<u>3,285,667</u>	<u>548,000</u>	

Exceptional items within cost of sales related to a stock write off as a result of a system data cleanse.

Exceptional items within administration expenses related to an employee restructuring programme, which was deemed to be a non-recurrent item.

Exceptional items above operating loss related to the release of a stock provision for legacy costs, which arose from an incorrect set up of the company's stock management system.

5 Operating loss		2020	2019
		£	£
Operating loss for the year is stated after charging/(crediting):			
Research and development costs	10,453	50,142	
Government grants	(47,257)	-	
Fees payable to the company's auditor for the audit of the company's financial statements	17,250	56,000	
Depreciation of owned tangible fixed assets	101,069	73,680	
Loss on disposal of tangible fixed assets	4,227	-	
Amortisation of intangible assets	-	137,686	
Impairment of intangible assets	-	1,203,360	
Operating lease charges	151,975	108,538	
	<u></u>	<u></u>	

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Admin	45	42
Direct	16	18
Management	9	10
	<hr/>	<hr/>
Total	70	70
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	2,524,439	2,341,155
Social security costs	249,213	244,270
Pension costs	165,200	163,683
	<hr/>	<hr/>
	2,938,852	2,749,108
	<hr/>	<hr/>

7 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	107,742	96,992
Company pension contributions to defined contribution schemes	7,057	6,845
	<hr/>	<hr/>
	114,799	103,837
	<hr/>	<hr/>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

8 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Other interest income	1,026	3,470
	<hr/>	<hr/>

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

9 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest payable to former group undertakings	183,698	235,280
	<u>183,698</u>	<u>235,280</u>

10 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	-	(311,208)
Adjustments in respect of prior periods	(151,358)	-
Tax losses surrendered to former group	(967,111)	-
	<u>(1,118,469)</u>	<u>(311,208)</u>
Total current tax	<u>(1,118,469)</u>	<u>(311,208)</u>
Deferred tax		
Origination and reversal of timing differences	1,113,094	-
	<u>1,113,094</u>	<u>-</u>
Total tax credit	<u>(5,375)</u>	<u>(311,208)</u>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Loss before taxation	(5,718,299)	(1,330,562)
	<u>(5,718,299)</u>	<u>(1,330,562)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(1,086,477)	(252,807)
Tax effect of expenses that are not deductible in determining taxable profit	18,464	13,999
Change in unrecognised deferred tax assets	1,229,765	(74,119)
Adjustments in respect of prior years	(151,358)	-
Permanent capital allowances in excess of depreciation	11,215	-
Other permanent differences	-	1,719
Effect of changes in deferred tax rates	(26,984)	-
	<u>(5,375)</u>	<u>(311,208)</u>
Taxation credit for the year	<u>(5,375)</u>	<u>(311,208)</u>

SHIPHAM VALVES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2020	2019
	£	£
In respect of:		
Goodwill	-	503,457
Intangible assets	-	699,903
	<u> </u>	<u> </u>
Recognised in:		
Administrative expenses	-	1,203,360
	<u> </u>	<u> </u>

12 Intangible fixed assets

	Goodwill	Development costs	Total
	£	£	£
Cost			
At 1 January 2020	1,061,851	1,376,858	2,438,709
Additions	-	424,002	424,002
Transfers	-	34,671	34,671
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2020	1,061,851	1,835,531	2,897,382
	<u> </u>	<u> </u>	<u> </u>
Amortisation and impairment			
At 1 January 2020 and 31 December 2020	1,061,851	1,376,858	2,438,709
	<u> </u>	<u> </u>	<u> </u>
Carrying amount			
At 31 December 2020	-	458,673	458,673
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019	-	-	-
	<u> </u>	<u> </u>	<u> </u>

More information on impairment movements is given in note 11.

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

13 Tangible fixed assets

	Freehold land and buildings	Assets under construction	Plant and equipment	Total
	£	£	£	£
Cost				
At 1 January 2020	671,197	34,671	1,161,394	1,867,262
Disposals	-	-	(14,275)	(14,275)
Transfers	-	(34,671)	-	(34,671)
At 31 December 2020	671,197	-	1,147,119	1,818,316
Depreciation and impairment				
At 1 January 2020	77,768	-	997,185	1,074,953
Depreciation charged in the year	67,120	-	33,949	101,069
Eliminated in respect of disposals	-	-	(10,048)	(10,048)
At 31 December 2020	144,888	-	1,021,086	1,165,974
Carrying amount				
At 31 December 2020	526,309	-	126,033	652,342
At 31 December 2019	593,429	34,671	164,209	792,309

14 Fixed asset investments

		2020 £	2019 £
Investments in subsidiaries	15	-	-

Movements in fixed asset investments

	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2020 & 31 December 2020	1,289,807
Impairment	
At 1 January 2020 & 31 December 2020	1,289,807
Carrying amount	
At 31 December 2020	-
At 31 December 2019	-

SHIPHAM VALVES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Shiphams Limited	See below	Ordinary	100.00
John Mills & Son (Newcastle) Limited	See below	Ordinary	100.00
John Mills Valves Limited	See below	Ordinary	100.00
Robert Cort Valves Limited	See below	Ordinary	100.00
Robert Cort Limited	See below	Ordinary	100.00

The registered office of all subsidiaries is: D Shed, West Building, 72-74, Skua Road, Humber Enterprise Park, Brough, HU15 1EQ.

All subsidiaries remained dormant throughout the year.

16 Stocks

	2020 £	2019 £
Raw materials and consumables	2,855,758	5,813,379
Work in progress	227,099	1,002,839
Finished goods and goods for resale	519,448	511,390
	<u>3,602,305</u>	<u>7,327,608</u>

17 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	3,911,253	5,248,787
Amounts owed by group undertakings	109,624	-
Amounts owed by former group undertakings		3,823,470
Other debtors	104,859	55,366
Prepayments and accrued income	79,725	257,393
	<u>4,205,461</u>	<u>9,385,016</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 19)	-	1,113,094
	<u>-</u>	<u>1,113,094</u>
Total debtors	<u>4,205,461</u>	<u>10,498,110</u>

SHIPHAM VALVES LIMITED
(FORMERLY WARTSILA VALVES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

18 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	852,978	1,749,512
Amounts owed to group undertakings	-	14,986,512
Other creditors	126,941	64,718
Accruals and deferred income	799,735	720,019
	<u>1,779,654</u>	<u>17,520,761</u>

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets	Assets
	2020	2019
	£	£
Balances:		
Accelerated capital allowances	-	(5,376)
Tax losses	-	1,118,470
	<u>-</u>	<u>1,113,094</u>
		2020
Movements in the year:		£
Asset at 1 January 2020		(1,113,094)
Charge to profit or loss		145,983
Tax losses surrendered to former group		967,111
		<u>-</u>
Liability at 31 December 2020		<u>-</u>

20 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	165,200	163,683
	<u>165,200</u>	<u>163,683</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

SHIPHAM VALVES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

21 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 5p each	8,443,320	8,443,319	422,166	422,166

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	154,341	190,876
Between two and five years	121,359	643,547
	<u>275,700</u>	<u>834,423</u>

23 Ultimate controlling party

The parent company is Shiphams Holdings Limited, a company registered in England and Wales.

The registered office of the parent undertaking is D Shed West Building, 72-74 Humber Enterprise Park, Skua Road, Brough, HU15 1EQ.

The ultimate controlling party is EV UK LP, an entity registered in the United States.

SHIPHAM VALVES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

24 Cash (absorbed by)/generated from operations

	2020	2019
	£	£
Loss for the year after tax	(5,712,924)	(1,019,354)
Adjustments for:		
Taxation credited	(5,375)	(311,208)
Finance costs	183,698	235,280
Investment income	(1,026)	(3,470)
Loss on disposal of tangible fixed assets	4,227	-
Amortisation and impairment of intangible assets	-	1,341,046
Depreciation and impairment of tangible fixed assets	101,069	73,680
Decrease in provisions	-	(150,000)
Movements in working capital:		
Decrease/(increase) in stocks	3,725,303	(1,944,817)
Decrease/(increase) in debtors	5,179,555	(1,747,306)
(Decrease)/increase in creditors	(15,741,107)	3,792,737
Cash (absorbed by)/generated from operations	(12,266,580)	266,588

25 Analysis of changes in net funds

	1 January 2020	Cash flows	31 December 2020
	£	£	£
Cash at bank and in hand	87,583	1,423,837	1,511,420

SHIPHAM VALVES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

26 Reconciliations on adoption of FRS 102

Reconciliation of equity

	1 January 2019	31 December 2019
Notes	£	£
Equity as reported under previous UK GAAP	2,204,203	1,138,486
Adjustments arising from transition to FRS 102:		
Removal of lease transactions under IFRS 16	-	46,363
Equity reported under FRS 102	<u>2,204,203</u>	<u>1,184,849</u>

Reconciliation of loss for the financial period

Notes	2019 £
Loss as reported under previous UK GAAP	(1,065,717)
Adjustments arising from transition to FRS 102:	
Removal of lease transactions under IFRS 16	46,363
Loss reported under FRS 102	<u>(1,019,354)</u>

Notes to reconciliations on adoption of FRS 102

On transition to FRS 102, leased assets previously accounted for under IFRS 16 were removed.

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