

H.V.R. INTERNATIONAL LIMITED

**Annual Report and Financial Statements
for the Year Ended 31 May 2022**

H.V.R. International Limited

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H.V.R. International Limited

Company Information

Directors	S. M. Elliott K. S. McLaughlin
Registered office	Bedesway Bede Industrial Estate Jarrow Tyne and Wear NE32 3EN
Solicitors	Weightmans 1 St James Gate Newcastle upon Tyne NE1 4AD
Auditor	Azets Audit Services Chartered Accountants & Statutory Auditor Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS

H.V.R. International Limited

Strategic Report for the Year Ended 31 May 2022

The directors present their strategic report for the year ended 31 May 2022.

Principal activity

The principal activity of the company is the manufacture and distribution of ceramic resistors.

Fair review of the business

By the end of 2021, the company was still facing many challenges that began in early 2020 with the onset of the COVID-19 pandemic. Staff absenteeism remained consistently high, logistic issues caused supply chain disruption, multiple waves of the virus restricted travel, raw material shortages continued and then the added pressures of Brexit. This perfect storm resulted in a rapid decline in orders in the summer months of 2021, forcing the company to make a small number of redundancies during the year.

The challenges during 2021/22 can be demonstrated by the results, there was a sharp decrease in turnover of 23% to £7.399m (2021: £9.552m) in the year.

Position at the year end

Despite the difficult year, the directors remain extremely positive and optimistic about the future of the business. This growing confidence was demonstrated with the green shoots displayed in the last quarter of the year where there was a sudden shift in fortunes as orders started to increase, absenteeism reduced, and turnover bounced back. Looking ahead, whilst the company is aware the multiple COVID-19 waves, the continued lockdowns in Mainland China and the current macroeconomic outlook does create some challenges and uncertainty in the near term, it is still confident it can achieve revenue growth in the medium term.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2022	2021
Gross Profit	%	15	26
Number of customer complaints	No.	17	18

Principal risks and uncertainties

The company's activities expose it to a variety of financial risks, including the effects of credit, liquidity, cash flow, interest rate risks and foreign exchange risks. In order to mitigate these risks in the most cost-effective manner, the company's risk management is addressed through a framework of policies, procedures and internal controls. All policies are reviewed on an ongoing basis by management.

Financial assets that expose the group to financial risk consist primarily of trade debtors and cash. Financial liabilities that expose the group to financial risk consist principally of trade creditors and loans.

Credit risk is the risk of loss in value of financial assets due to counterparties failing to meet all or part of their obligations. The company performs ongoing credit evaluations of its customer's financial condition.

Liquidity risk is the risk that the company does not have sufficient liquid assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the group ensures there is an adequate liquidity buffer to cover contingencies. The company maintains sufficient cash and open credit lines from its bankers to meet funding requirements.

Interest rate risk regarding unfavourable movements in interest rates is not perceived as being material to the accounts due to the borrowing agreements in place.

H.V.R. International Limited

Strategic Report for the Year Ended 31 May 2022 (continued)

The company is exposed to foreign exchange risk from various exposures primarily with respect to the U.S. dollar and the euro. The risk is not perceived as being material to the accounts due to the company holding both euro and dollar bank accounts and utilising these to pay foreign currency suppliers.

It is clear 2022/23 is going to be another challenging year for the world economy with the very real prospect of a global recession. There is an increased level of macroeconomic uncertainty such as cost and wage inflation, volatile commodity prices and currency fluctuations. In addition to this, the company will continue to grapple and manage labour shortages, sourcing raw material supply, logistic backlogs and operational cost pressures.

Geopolitical events such as the war in Ukraine has exacerbated the situation, adding further pressure and uncertainty on global supplies. We are actively monitoring the situation and continue to put contingency measures in place to manage these risks. We believe we understand the short-term risks and impacts and have controls in place. However, the long-term impacts remain uncertain, we will continue to monitor the situation closely.

Approved and authorised for issue by the Board on 29 June 2023 and signed on its behalf by:

.....
K. S. McLaughlin
Director

H.V.R. International Limited

Directors' Report for the Year Ended 31 May 2022

The directors present their report and the financial statements for the year ended 31 May 2022.

Directors of the company

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

S. M. Elliott

K. S. McLaughlin

Financial instruments

Objectives and policies

The company has an established, structured approach to risk management. The company's activities expose it to a variety of financial risks, including the effects of credit, liquidity, cash flow, interest rate risks and foreign exchange risks. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner. Financial assets that expose the group to financial risk consist primarily of trade debtors and cash. Financial liabilities that expose the group to financial risk consist principally of trade creditors and loans.

See disclosures within the Strategic Report regarding credit, liquidity, interest rate and foreign exchange risk.

Future developments

See disclosures within the Strategic Report regarding future developments of the Company.

Going concern

The financial statements have been prepared on a going concern basis.

The company meets its day to day working capital requirements through cash generated from operations and group banking facilities.

The company's forecasts and projections for the next twelve months show that the company should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance. This also considers the effectiveness of available measures to assist in mitigating the impact.

The forecasts support the ability of the company to remain a going concern and to be able to trade and meets its debts as they fall due.

The directors believe that there is no material uncertainty in relation to going concern and that the company has adequate financial resources to continue in operational existence for at least twelve months from the date of signing the financial statements. Therefore the directors consider it appropriate to prepare the financial statements on a going concern basis.

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Directors' Report for the Year Ended 31 May 2022 (continued)

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditor

Azets Audit Services Limited, trading as Azets Audit Services, were appointed auditor to the company following their acquisition of the trade of Tait Walker LLP, trading as MHA Tait Walker, on 1 May 2022.

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Azets Audit Services as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved and authorised for issue by the Board on 29 June 2023 and signed on its behalf by:

.....
K. S. McLaughlin
Director

H.V.R. International Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

H.V.R. International Limited

Independent Auditor's Report to the Members of H.V.R. International Limited

Opinion

We have audited the financial statements of H.V.R. International Limited (the 'company') for the year ended 31 May 2022, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2022 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 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 director's 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.

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Independent Auditor's Report to the Members of H.V.R. International Limited (continued)

Opinions 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the 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 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 Statement of Directors' Responsibilities [set out on page 6], 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:

- Enquiries of management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- challenging assumptions and judgements made by management in their significant accounting estimates;

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Independent Auditor's Report to the Members of H.V.R. International Limited (continued)

- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias; and
- reviewing financial statement disclosures and testing to support documentation.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; employment law (including the Working Time Directive); anti-bribery and corruption; and compliance with the UK Companies Act.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

.....
Brian Laidlaw BA CA (Senior Statutory Auditor)

For and on behalf of Azets Audit Services

Statutory Auditor

Chartered Accountants

Bulman House

Regent Centre

Gosforth

Newcastle upon Tyne

NE3 3LS

29 June 2023

Azets Audit Services is a trading name of Azets Audit Services Limited

H.V.R. International Limited

Income Statement for the Year Ended 31 May 2022

	Note	2022 £	2021 £
Turnover	<u>3</u>	7,399,157	9,551,969
Cost of sales		<u>(6,292,428)</u>	<u>(7,043,153)</u>
Gross profit		1,106,729	2,508,816
Distribution costs		(152,918)	(182,864)
Administrative expenses		(1,146,715)	(1,473,499)
Other operating income	<u>4</u>	<u>169,434</u>	<u>150,145</u>
Operating (loss)/profit	<u>5</u>	(23,470)	1,002,598
Other interest receivable and similar income	<u>6</u>	2,952	4,456
Interest payable and similar expenses	<u>7</u>	<u>(14,704)</u>	<u>(13,495)</u>
(Loss)/profit before tax		(35,222)	993,559
Taxation	<u>10</u>	<u>28,006</u>	<u>(206,605)</u>
(Loss)/profit for the financial year		<u><u>(7,216)</u></u>	<u><u>786,954</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 13 to 29 form an integral part of these financial statements.

H.V.R. International Limited

(Registration number: 02589651)

Statement of Financial Position as at 31 May 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	<u>12</u>	824,875	1,098,460
Investments	<u>13</u>	6,000	6,000
		<u>830,875</u>	<u>1,104,460</u>
Current assets			
Stocks	<u>14</u>	995,351	989,817
Debtors	<u>15</u>	12,114,271	12,122,849
Cash at bank and in hand		13,459	50,907
		<u>13,123,081</u>	<u>13,163,573</u>
Creditors: Amounts falling due within one year	<u>16</u>	(935,028)	(1,161,099)
Net current assets		<u>12,188,053</u>	<u>12,002,474</u>
Total assets less current liabilities		13,018,928	13,106,934
Creditors: Amounts falling due after more than one year	<u>16</u>	(105,438)	(153,653)
Provisions for liabilities	<u>18</u>	(75,519)	(108,094)
Net assets		<u>12,837,971</u>	<u>12,845,187</u>
Capital and reserves			
Called up share capital	<u>20</u>	32,000	32,000
Capital redemption reserve	<u>21</u>	398,573	398,573
Profit and loss account	<u>21</u>	12,407,398	12,414,614
Total equity		<u>12,837,971</u>	<u>12,845,187</u>

Approved and authorised for issue by the Board on 29 June 2023 and signed on its behalf by:

.....
K. S. McLaughlin
Director

The notes on pages 13 to 29 form an integral part of these financial statements.

H.V.R. International Limited

Statement of Changes in Equity for the Year Ended 31 May 2022

	Share capital	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£
At 1 June 2020	32,000	398,573	11,627,660	12,058,233
Profit for the year	-	-	786,954	786,954
Total comprehensive income	-	-	786,954	786,954
At 31 May 2021	32,000	398,573	12,414,614	12,845,187

	Share capital	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£
At 1 June 2021	32,000	398,573	12,414,614	12,845,187
Loss for the year	-	-	(7,216)	(7,216)
Total comprehensive income	-	-	(7,216)	(7,216)
At 31 May 2022	32,000	398,573	12,407,398	12,837,971

The notes on pages 13 to 29 form an integral part of these financial statements.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022

1 General information

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

The address of its registered office is Bedesway, Bede Industrial Estate, Jarrow, Tyne and Wear, NE32 3EN.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

These financial statements are prepared in sterling which is the functional currency of the entity.

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) Disclosures in respect of each class of share capital have not been presented.

(b) No cash flow statement has been presented for the company.

(c) Disclosures in respect of financial instruments have not been presented.

(d) No disclosure has been given for the aggregate remuneration of key management personnel.

The Company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis.

The company meets its day to day working capital requirements through cash generated from operations and group banking facilities.

The company's forecasts and projections for the next twelve months show that the company should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance. This also considers the effectiveness of available measures to assist in mitigating the impact.

The forecasts support the ability of the company to remain a going concern and to be able to trade and meets its debts as they fall due.

The directors believe that there is no material uncertainty in relation to going concern and that the company has adequate financial resources to continue in operational existence for at least twelve months from the date of signing the financial statements. Therefore the directors consider it appropriate to prepare the financial statements on a going concern basis.

Exemption from preparing group accounts

The financial statements contain information about H.V.R. International Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Hawkrigge Management Limited, a company incorporated in England and Wales.

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

2 Accounting policies (continued)

Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Assessing indicators of impairment - In assessing whether there have been indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Useful economic lives of tangible assets - The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The carrying amount is £824,875 (2021 - £1,098,460).

Impairment of debtors - The company makes an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtor, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities.

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

2 Accounting policies (continued)

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model or the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Government grants relating to the costs incurred by the company are recognised in the income statement over the period necessary to match them with costs that they are intended to compensate. Government grants are presented separately and disclosed in Other operating income in the income statement. Other operating income includes the UK Government assistance provided through Coronavirus Job Retention Scheme during the Covid-19 pandemic.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

2 Accounting policies (continued)

Tangible assets

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

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold property	Straight line over 15 years
Property improvements	Straight line over 10 years
Plant and machinery	Straight line over 10 years
Fixtures and fittings	Straight line over 3 years
Motor vehicles	Straight line over 4 years

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

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Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

2 Accounting policies (continued)

Asset class	Amortisation method and rate
Goodwill	10 years straight line

Investments

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

Trade debtors

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

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

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

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

2 Accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

2 Accounting policies (continued)

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- * It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- * There is the intention to complete the intangible asset and use or sell it;
- * There is the ability to use or sell the intangible asset;
- * The use or sale of the intangible asset will generate probable future economic benefits;
- * There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- * The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

3 Turnover

The analysis of the company's Turnover for the year from continuing operations is as follows:

	2022	2021
	£	£
Sale of goods	<u>7,399,157</u>	<u>9,551,969</u>

The analysis of the company's Turnover for the year by market is as follows:

	2022	2021
	£	£
UK	341,095	366,748
Rest of world	<u>7,058,062</u>	<u>9,185,221</u>
	<u><u>7,399,157</u></u>	<u><u>9,551,969</u></u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £	2021 £
Government grants	30,000	30,000
Coronavirus Job Retention Scheme grant	115,232	104,535
Rental income	24,202	15,610
	<u>169,434</u>	<u>150,145</u>

5 Operating (loss)/profit

Arrived at after charging/(crediting)

	2022 £	2021 £
Depreciation expense	283,104	304,026
Research and development cost	3,614	13,644
Foreign exchange (gains)/losses	<u>(146,745)</u>	<u>141,987</u>

6 Other interest receivable and similar income

	2022 £	2021 £
Interest income on bank deposits	<u>2,952</u>	<u>4,456</u>

7 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and borrowings	12,265	13,495
Interest expense on other finance liabilities	2,439	-
	<u>14,704</u>	<u>13,495</u>

8 Staff costs

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

	2022 £	2021 £
Wages and salaries	3,688,162	4,090,354
Social security costs	327,552	378,628
Pension costs, defined contribution scheme	248,188	273,886
Redundancy costs	60,848	-
	<u>4,324,750</u>	<u>4,742,868</u>

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

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

8 Staff costs (continued)

	2022 No.	2021 No.
Production	112	123
Administration	22	25
	<u>134</u>	<u>148</u>

9 Auditor's remuneration

	2022 £	2021 £
Audit of the financial statements	<u>11,380</u>	<u>10,350</u>

10 Taxation

Tax charged/(credited) in the income statement

	2022 £	2021 £
Current taxation		
UK corporation tax	8,252	193,387
UK corporation tax adjustment to prior periods	<u>(3,683)</u>	<u>10,274</u>
	<u>4,569</u>	<u>203,661</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(23,727)	(24,029)
Arising from changes in tax rates and laws	(7,493)	26,973
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(1,355)</u>	<u>-</u>
Total deferred taxation	<u>(32,575)</u>	<u>2,944</u>
Tax (receipt)/expense in the income statement	<u>(28,006)</u>	<u>206,605</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

10 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
(Loss)/profit before tax	(35,222)	993,559
Corporation tax at standard rate	(6,692)	188,776
Effect of revenues exempt from taxation	-	(27,598)
Effect of expense not deductible in determining taxable profit (tax loss)	24	9,503
UK deferred tax (credit)/expense relating to changes in tax rates or laws	(7,492)	26,973
(Decrease)/increase in UK and foreign current tax from unrecognised temporary difference from a prior period	(5,038)	10,274
Tax increase from effect of capital allowances and depreciation	18,783	18,742
Tax decrease arising from group relief	-	(20,065)
Tax decrease from effect of adjustment in research and development tax credit	(27,189)	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	(402)	-
Total tax (credit)/charge	(28,006)	206,605

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
2022		
Short term timing differences - trading	6,989	-
Fixed asset timing differences	-	82,508
	6,989	82,508
2021		
Short term timing differences - trading	4,294	-
Fixed asset timing differences	-	112,388
	4,294	112,388

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

11 Intangible assets

	Goodwill £
Cost or valuation	
At 1 June 2021	569,686
At 31 May 2022	569,686
Amortisation	
At 1 June 2021	569,686
At 31 May 2022	569,686
Carrying amount	
At 31 May 2022	-
At 31 May 2021	-

12 Tangible assets

	Leasehold property £	Property improvements £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation						
At 1 June 2021	1,029,757	808,431	203,799	3,738,684	168,321	5,948,992
Additions	-	2,470	4,049	3,000	-	9,519
At 31 May 2022	1,029,757	810,901	207,848	3,741,684	168,321	5,958,511
Depreciation						
At 1 June 2021	929,091	597,575	200,596	3,012,279	110,991	4,850,532
Charge for the year	50,645	43,045	1,615	163,085	24,714	283,104
At 31 May 2022	979,736	640,620	202,211	3,175,364	135,705	5,133,636
Carrying amount						
At 31 May						

2022	<u>50,021</u>	<u>170,281</u>	<u>5,637</u>	<u>566,320</u>	<u>32,616</u>	<u>824,87</u>
At 31 May 2021	<u>100,666</u>	<u>210,856</u>	<u>24 3,203</u>	<u>726,405</u>	<u>57,330</u>	<u>1,098,46</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

12 Tangible assets (continued)

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2022 £	2021 £
Motor vehicles	33,930	57,332

13 Investments in subsidiaries, joint ventures and associates

	2022 £	2021 £
Investments in subsidiaries	6,000	6,000

Subsidiaries

Cost or valuation

At 1 June 2021	6,000
At 31 May 2022	6,000

Provision

At 1 June 2021	-
At 31 May 2022	-

Carrying amount

At 31 May 2022	6,000
At 31 May 2021	6,000

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2021
Subsidiary undertakings				
HVR Advanced Power Components Inc	2090 Old Union Rd, Cheektowaga, NY 14227 United States of America	Ordinary	86.96%	86.96%

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

13 Investments in subsidiaries, joint ventures and associates (continued)

Subsidiary undertakings

HVR Advanced Power Components Inc

The principal activity of HVR Advanced Power Components Inc is the manufacture and distribution of high voltage resistors.

14 Stocks

	2022 £	2021 £
Raw materials and consumables	581,098	509,634
Work in progress	414,253	480,183
	<u>995,351</u>	<u>989,817</u>

15 Debtors

	Note	2022 £	2021 £
Current			
Trade debtors		1,526,972	1,571,200
Amounts owed by related parties	<u>23</u>	9,251,983	8,971,603
Other debtors		1,028,160	1,187,987
Prepayments		189,656	157,059
Directors loan accounts		117,500	235,000
		<u>12,114,271</u>	<u>12,122,849</u>

16 Creditors

	Note	2022 £	2021 £
Due within one year			
Loans and borrowings	<u>17</u>	18,215	26,445
Trade creditors		444,863	462,553
Social security and other taxes		79,583	81,098
Other creditors		42,105	56,121
Accrued expenses and deferred income		313,329	301,220
Corporation tax liability		6,933	203,662
Government grant		30,000	30,000
		<u>935,028</u>	<u>1,161,099</u>
Due after one year			
Loans and borrowings	<u>17</u>	-	18,215
Government grant		105,438	135,438
		<u>105,438</u>	<u>153,653</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

17 Loans and borrowings

	2022 £	2021 £
Current loans and borrowings		
Hire purchase and finance lease liabilities	18,215	26,445
	2022 £	2021 £
Non-current loans and borrowings		
Hire purchase and finance lease liabilities	-	18,215

18 Provisions for liabilities

	Deferred tax £	Total £
At 1 June 2021	108,094	108,094
Increase (decrease) in existing provisions	(32,575)	(32,575)
At 31 May 2022	75,519	75,519

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £248,188 (2021 - £273,886). Contributions totalling £Nil (2021 - £45,002) were payable to the scheme at the end of the year and are included in creditors.

20 Share capital

Allotted, called up and fully paid shares

	No.	2022 £	No.	2021 £
Ordinary shares of £1 each	32,000	32,000	32,000	32,000

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

21 Reserves

Called up share capital

This represents the nominal value of shares that have been issued.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Profit and loss

This reserve records retained earnings and accumulated losses.

22 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	18,125	26,445
Later than one year and not later than five years	-	18,215
	<u>18,125</u>	<u>44,660</u>

The obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2022 (continued)

23 Related party transactions

Transactions with directors

	At 1 June 2021 £	Repayments by director £	At 31 May 2022 £
2022			
S. M. Elliott			
Directors loan	117,500	-	117,500
K. S. McLaughlin			
Directors loan	117,500	(117,500)	-
		At 1 June 2020 £	At 31 May 2021 £
2021			
S. M. Elliott			
Directors loan		117,500	117,500
K. S. McLaughlin			
Directors loan		117,500	117,500

24 Parent and ultimate parent undertaking

The company's immediate parent is HVR Limited, incorporated in England and Wales.

The ultimate parent is Hawkrigge Holdings Limited, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is Hawkrigge Holdings Limited. These financial statements are available upon request from Hawkrigge Holdings Limited, Bedesway, Bede Industrial Estate, Jarrow, Tyne and Wear, NE32 3EN, which is also the registered address of the ultimate parent company.

The ultimate controlling party is S. M. Elliott.

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