

Registration number: 02589651

H.V.R. INTERNATIONAL LIMITED

Annual Report and Financial Statements

for the Year Ended 31 May 2021

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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	MHA Tait Walker 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 2021

The directors present their strategic report for the year ended 31 May 2021.

Principal activity

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

Fair review of the business

Since early 2020, the COVID-19 pandemic has continued to have a devastating impact on many livelihoods and industries globally. However, now with each passing day there is hope that brighter days are ahead thanks to the efforts and dedication of the scientific and medical communities.

The directors are pleased that despite everything, the company still managed to deliver results in 2020/21 that demonstrated its resilience and adaptability in responding to the COVID-19 pandemic. Turnover remained consistent at £9.552m (2020: £9.559m); this was a very positive result and was further strengthened by an 8.8% increase in gross profit.

Throughout the year, the company tried to prioritise the health and wellbeing of the workforce. Rigorous safety measures were implemented across the whole site. Resources to support the team were also provided along with flexibility, acknowledging some staff members had additional care giving responsibilities.

Position at the year end

Although the company is still facing significant challenges due to the pandemic, there is growing confidence and optimism that growth in the medium to long term will return as travel restrictions and borders begin to open up again in 2022. A focus on cash generation and a reduction of overheads will be paramount going forward.

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

	Unit	2021	2020
Gross Profit	%	26	24
Number of customer complaints	No.	18	16

H.V.R. International Limited

Strategic Report for the Year Ended 31 May 2021 (continued)

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.

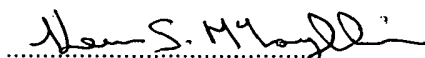
The company is exposed to foreign exchange risk from various exposures primarily with respect to the US Dollar and the Euro. The risk is not perceived as being material to the accounts due to the company holding both Euro and US Dollar bank accounts and utilising these to pay foreign currency suppliers.

The continuing global COVID-19 pandemic may persist in having a significant impact on global economic conditions causing disruptions to our supply chain. As a consequence, labour shortages, raw material supply, cost inflation and an increase in employee absences are all challenges that will now need to be managed. Although vaccines have been developed and rolled out, there remains uncertainty whether the recent lockdowns and vaccine programmes worldwide will be sufficient in bringing the pandemic under control and allowing normal life to return.

Although the new UK-EU Trade and Cooperation Agreement came into effect from 1 January 2021 setting out tariff-free trading with the EU, the company will continue to assess the situation and take reasonable steps to address any logistic challenges. The Focus will primarily be to avoid transportation delays and reduce any unnecessary border checks.

The company continually enhances its data security and data privacy to ensure it complies with the General Data Protection Regulations and keeps pace with any increasing cyber threats.

Approved by the Board on 28/04/22 and signed on its behalf by:



K. S. McLaughlin
Director

H.V.R. International Limited

Directors' Report for the Year Ended 31 May 2021

The directors present their report and the financial statements for the year ended 31 May 2021.

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 also has the continued financial support of its parent company and its shareholders.

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 and the potential impact on the business of possible future scenarios arising from the continued impact of COVID-19. 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.

H.V.R. International Limited

Directors' Report for the Year Ended 31 May 2021 (continued)

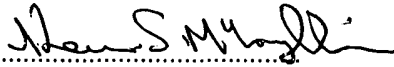
Disclosure of information to the auditor

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

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

Approved by the Board on 28/04/22 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 UK 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 2021, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

H.V.R. International Limited

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

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 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 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 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.

H.V.R. International Limited

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Enquiries with management about any actual and potential litigation and claims;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to stock and bad debt provisions; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

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.

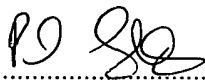
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

H.V.R. International Limited

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

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.



.....
Paul Shields FCA (Senior Statutory Auditor)
For and on behalf of MHA Tait Walker
Chartered Accountants
Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 28 / 04 / 2022

MHA Tait Walker is a trading name of Tait Walker LLP.

H.V.R. International Limited

Income Statement for the Year Ended 31 May 2021

	Note	2021 £	2020 £
Turnover	3	9,551,969	9,559,041
Cost of sales		<u>(7,043,153)</u>	<u>(7,253,231)</u>
Gross profit		2,508,816	2,305,810
Distribution costs		(182,864)	(187,549)
Administrative expenses		(1,473,499)	(1,219,389)
Other operating income	4	<u>150,145</u>	<u>145,017</u>
Operating profit	5	1,002,598	1,043,889
Other interest receivable and similar income	6	4,456	4,960
Interest payable and similar expenses	7	<u>(13,495)</u>	<u>(16,219)</u>
Profit before tax		993,559	1,032,630
Taxation	10	<u>(206,605)</u>	<u>(105,487)</u>
Profit for the financial year		<u><u>786,954</u></u>	<u><u>927,143</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 14 to 31 form an integral part of these financial statements.

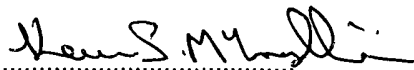
H.V.R. International Limited

(Registration number: 02589651)

Statement of Financial Position as at 31 May 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	12	1,098,460	1,398,190
Investments	13	6,000	6,000
		<u>1,104,460</u>	<u>1,404,190</u>
Current assets			
Stocks	14	989,817	986,759
Debtors	15	12,122,849	11,028,079
Cash at bank and in hand		50,907	49,653
		<u>13,163,573</u>	<u>12,064,491</u>
Creditors: Amounts falling due within one year	16	<u>(1,161,099)</u>	<u>(1,095,199)</u>
Net current assets		<u>12,002,474</u>	<u>10,969,292</u>
Total assets less current liabilities		13,106,934	12,373,482
Creditors: Amounts falling due after more than one year	16	(153,653)	(210,099)
Provisions for liabilities	18	<u>(108,094)</u>	<u>(105,150)</u>
Net assets		<u>12,845,187</u>	<u>12,058,233</u>
Capital and reserves			
Called up share capital	20	32,000	32,000
Capital redemption reserve	21	398,573	398,573
Profit and loss account	21	12,414,614	11,627,660
Total equity		<u>12,845,187</u>	<u>12,058,233</u>

Approved and authorised by the Board on 28/04/22 and signed on its behalf by:


 K. S. McLaughlin
 Director

The notes on pages 14 to 31 form an integral part of these financial statements.

H.V.R. International Limited

Statement of Changes in Equity for the Year Ended 31 May 2021

	Share capital	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£
At 1 June 2019	32,000	398,573	10,700,517	11,131,090
Profit for the year	-	-	927,143	927,143
Total comprehensive income	-	-	927,143	927,143
At 31 May 2020	32,000	398,573	11,627,660	12,058,233

	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

The notes on pages 14 to 31 form an integral part of these financial statements.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

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 UK and Republic of Ireland'.

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.

Group accounts not prepared

The company has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (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 also has the continued financial support of its parent company and its shareholders.

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 and the potential impact on the business of possible future scenarios arising from the continued impact of COVID-19. 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 meet 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.

The forecasts prepared support the ability of the company to remain a going concern and to be able to trade and meet its debts as they fall due. However, the directors recognise the full impact of COVID-19 and the underlying trading assumptions relating to COVID-19 are difficult to predict and could be subject to significant variation.

Based on the factors set out above 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 12 months from the date of signing the financial statements. Therefore the directors consider it appropriate to prepare the financial statements on the 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, Hawkrig Management Limited, a company incorporated in England and Wales.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (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 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 £1,098,460 (2020 - £1,398,190).

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.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (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.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

2 Accounting policies (continued)

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.

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.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

2 Accounting policies (continued)

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:

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.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

2 Accounting policies (continued)

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.

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.

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

2 Accounting policies (continued)

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.

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 Revenue

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

	2021	2020
	£	£
Sale of goods	<u>9,551,969</u>	<u>9,559,041</u>

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

	2021	2020
	£	£
UK	366,748	168,759
Rest of world	<u>9,185,221</u>	<u>9,390,282</u>
	<u>9,551,969</u>	<u>9,559,041</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

4 Other operating income

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

	2021	2020
	£	£
Government grants	30,000	30,000
Coronavirus Job Retention Scheme grant	104,535	110,808
Rental income	15,610	4,209
	<u>150,145</u>	<u>145,017</u>

5 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation expense	304,026	318,994
Research and development cost	13,644	-
Foreign exchange losses/(gains)	141,987	(142,703)
Profit on disposal of property, plant and equipment	<u>-</u>	<u>(15,282)</u>

6 Other interest receivable and similar income

	2021	2020
	£	£
Interest income on bank deposits	<u>4,456</u>	<u>4,960</u>

7 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and borrowings	<u>13,495</u>	<u>16,219</u>

8 Staff costs

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

	2021	2020
	£	£
Wages and salaries	4,090,354	4,219,231
Social security costs	378,628	351,506
Pension costs, defined contribution scheme	273,886	268,153
	<u>4,742,868</u>	<u>4,838,890</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

8 Staff costs (continued)

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

	2021 No.	2020 No.
Production	123	122
Administration	25	24
	<u>148</u>	<u>146</u>

9 Auditor's remuneration

	2021 £	2020 £
Audit of the financial statements	<u>10,350</u>	<u>10,000</u>

10 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK corporation tax	193,387	46,007
UK corporation tax adjustment to prior periods	<u>10,274</u>	<u>54,231</u>
	<u>203,661</u>	<u>100,238</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(24,029)	(6,504)
Arising from changes in tax rates and laws	<u>26,973</u>	<u>11,753</u>
Total deferred taxation	<u>2,944</u>	<u>5,249</u>
Tax expense in the income statement	<u>206,605</u>	<u>105,487</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (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 (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	993,559	1,032,630
Corporation tax at standard rate	188,776	196,200
Effect of revenues exempt from taxation	(27,598)	(5,700)
Effect of expense not deductible in determining taxable profit (tax loss)	9,503	209
UK deferred tax expense relating to changes in tax rates or laws	26,973	11,753
Decrease in UK and foreign current tax from unrecognised temporary difference from a prior period	-	(116,162)
Increase in UK and foreign current tax from adjustment for prior periods	10,274	54,231
Tax increase from effect of capital allowances and depreciation	18,742	18,742
Tax decrease arising from group relief	(20,065)	(25,875)
Tax decrease from effect of adjustment in research and development tax credit	-	(27,911)
Total tax charge	206,605	105,487
Deferred tax		
Deferred tax assets and liabilities		
2021		Liability £
Accelerated capital allowances		112,388
Retirement benefit obligations		(4,294)
		108,094
2020		Liability £
Accelerated capital allowances		110,860
Retirement benefit obligations		(5,710)
		105,150

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

11 Intangible assets

	Goodwill £
Cost or valuation	
At 1 June 2020	569,686
At 31 May 2021	569,686
Amortisation	
At 1 June 2020	569,686
At 31 May 2021	569,686
Carrying amount	
At 31 May 2021	-
At 31 May 2020	-

12 Tangible assets

	Leasehold property £	Property improvements £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation						
At 1 June 2020	1,029,757	808,431	200,823	3,737,364	168,321	5,944,696
Additions	-	-	2,976	1,320	-	4,296
At 31 May 2021	1,029,757	808,431	203,799	3,738,684	168,321	5,948,992
Depreciation						
At 1 June 2020	878,446	553,818	199,631	2,842,901	71,710	4,546,506
Charge for the year	50,645	43,757	965	169,378	39,281	304,026
At 31 May 2021	929,091	597,575	200,596	3,012,279	110,991	4,850,532
Carrying amount						
At 31 May 2021	100,666	210,856	3,203	726,405	57,330	1,098,460
At 31 May 2020	151,311	254,613	1,192	894,463	96,611	1,398,190

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (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:

	2021 £	2020 £
Plant and machinery	248,987	296,413
Motor vehicles	57,332	96,613
	<u>306,319</u>	<u>393,026</u>

13 Investments in subsidiaries, joint ventures and associates

	2021 £	2020 £
Investments in subsidiaries	<u>6,000</u>	<u>6,000</u>
Subsidiaries		£
Cost or valuation		
At 1 June 2020		<u>6,000</u>
At 31 May 2021		<u>6,000</u>
Provision		
At 1 June 2020		<u>-</u>
At 31 May 2021		<u>-</u>
Carrying amount		
At 31 May 2021		<u>6,000</u>
At 31 May 2020		<u>6,000</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

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

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	
			2021	2020
Subsidiary undertakings				
HVR Advanced Power Components Inc	2090 Old Union Rd, Cheektowaga, NY 14227 United States of America	Ordinary	86.96%	86.96%

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

	2021	2020
	£	£
Raw materials and consumables	509,634	713,319
Work in progress	480,183	273,440
	<u>989,817</u>	<u>986,759</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

15 Debtors

	2021 £	2020 £
Trade debtors	1,571,200	1,494,154
Amounts owed by group undertakings	8,971,603	8,732,718
Other debtors	1,187,987	400,290
Prepayments	157,059	165,917
Directors loan accounts	235,000	235,000
	<u>12,122,849</u>	<u>11,028,079</u>

16 Creditors

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	17	26,445	32,563
Trade creditors		462,553	517,428
Social security and other taxes		81,098	72,808
Other creditors		56,121	60,240
Accrued expenses and deferred income		301,220	336,153
Corporation tax liability		203,662	46,007
Government grant		30,000	30,000
		<u>1,161,099</u>	<u>1,095,199</u>
Due after one year			
Loans and borrowings	17	18,215	44,661
Government grant		135,438	165,438
		<u>153,653</u>	<u>210,099</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

17 Loans and borrowings

	2021 £	2020 £
Current loans and borrowings		
Hire purchase and finance lease liabilities	<u>26,445</u>	<u>32,563</u>

	2021 £	2020 £
Non-current loans and borrowings		
Hire purchase and finance lease liabilities	<u>18,215</u>	<u>44,661</u>

18 Provisions for liabilities

	Deferred tax £	Total £
At 1 June 2020	105,150	105,150
Increase (decrease) in existing provisions	<u>2,944</u>	<u>2,944</u>
At 31 May 2021	<u>108,094</u>	<u>108,094</u>

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 £273,886 (2020 - £268,153).

Contributions totalling £45,002 (2020 - £43,745) 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.	2021 £	No.	2020 £
Ordinary shares of £1 each	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (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:

	2021 £	2020 £
Not later than one year	26,445	32,563
Later than one year and not later than five years	18,215	44,661
	<u>44,660</u>	<u>77,224</u>

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

23 Related party transactions

Transactions with directors

	At 1 June 2020 £	At 31 May 2021 £
2021		
S. M. Elliott		
Directors loan	<u>117,500</u>	<u>117,500</u>
K. S. McLaughlin		
Directors loan	<u>117,500</u>	<u>117,500</u>

H.V.R. International Limited

Notes to the Financial Statements for the Year Ended 31 May 2021 (continued)

23 Related party transactions (continued)

	At 1 June 2019 £	At 31 May 2020 £
2020		
S. M. Elliott		
Directors loan	<u>117,500</u>	<u>117,500</u>
K. S. McLaughlin		
Directors loan	<u>117,500</u>	<u>117,500</u>

24 Parent and ultimate parent undertaking

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

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

There is no ultimate controlling party.

H.V.R. International Limited

Detailed Income Statement for the Year Ended 31 May 2021

	2021 £	2020 £
Turnover	9,551,969	9,559,041
Cost of sales	<u>(7,043,153)</u>	<u>(7,253,231)</u>
Gross profit	<u>2,508,816</u>	<u>2,305,810</u>
Gross profit (%)	26.26%	24.12%
Distribution costs	<u>(182,864)</u>	<u>(187,549)</u>
Administrative expenses		
Employment costs	(413,458)	(495,212)
Establishment costs	(54,552)	(41,485)
General administrative expenses	(791,870)	(772,671)
Finance charges	(206,493)	81,823
Depreciation costs	(7,126)	(7,126)
Other expenses	<u>-</u>	<u>15,282</u>
	<u>(1,473,499)</u>	<u>(1,219,389)</u>
Other operating income	<u>150,145</u>	<u>145,017</u>
Operating profit	1,002,598	1,043,889
Other interest receivable and similar income	4,456	4,960
Interest payable and similar charges	<u>(13,495)</u>	<u>(16,219)</u>
Profit before tax	<u><u>993,559</u></u>	<u><u>1,032,630</u></u>

This page does not form part of the statutory financial statements.

H.V.R. International Limited

Detailed Income Statement for the Year Ended 31 May 2021 (continued)

	2021 £	2020 £
Turnover		
Sales, UK	366,748	168,759
Sales, rest of world	9,185,221	9,390,282
	<u>9,551,969</u>	<u>9,559,041</u>
Cost of sales		
Opening stock	713,319	573,000
Opening work in progress	273,440	422,268
Purchases	1,473,217	1,592,437
Direct costs	122,636	173,118
Closing stock	(509,634)	(713,319)
Closing work in progress	(480,183)	(273,440)
Wages and salaries	3,807,812	3,844,429
Staff NIC (Employers)	358,249	331,856
Sundry expenses	315,676	274,518
Water rates	5,634	5,779
Light, heat and power	347,358	400,488
Repairs and maintenance	294,926	313,435
Building repairs	34,213	7,204
Depreciation of plant and machinery	286,490	301,458
	<u>7,043,153</u>	<u>7,253,231</u>
Distribution costs		
Wages and salaries	149,230	153,439
Staff NIC (Employers)	14,119	13,954
Sundry expenses	9,105	9,746
Depreciation of plant and machinery	10,410	10,410
	<u>182,864</u>	<u>187,549</u>
Employment costs		
Wages and salaries	133,312	221,363
Staff NIC (Employers)	6,260	5,696
Staff pensions (Defined contribution)	273,886	268,153
	<u>413,458</u>	<u>495,212</u>

This page does not form part of the statutory financial statements.

H.V.R. International Limited

Detailed Income Statement for the Year Ended 31 May 2021 (continued)

	2021 £	2020 £
Establishment costs		
Insurance	54,552	41,485
General administrative expenses		
Commissions payable	73,913	33,527
Staff training	67	4,000
Printing, postage and stationery	9,230	10,634
Charitable donations	-	400
Sundry expenses	34,621	35,326
Research and development	13,644	-
Travel and subsistence	1,874	10,182
Promotional expenses	-	407
Auditor's remuneration - The audit of the company's annual accounts	10,350	10,000
Management fees	632,400	632,400
Legal and professional fees	15,771	36,068
Bad debts written off	-	(273)
	<u>791,870</u>	<u>772,671</u>
Finance charges		
Factoring charges	53,261	49,868
Bank charges	11,245	11,012
Foreign currency (gains)/losses	141,987	(142,703)
	<u>206,493</u>	<u>(81,823)</u>
Depreciation costs		
Depreciation of motor vehicles	<u>7,126</u>	<u>7,126</u>
Other expenses		
Gains on disposal of property plant and equipment	-	(15,282)
	<u>-</u>	<u>(15,282)</u>
Other operating income		
Government grants	30,000	30,000
Coronavirus Job Retention Scheme grant	104,535	110,808
Rent receivable	15,610	4,209
	<u>150,145</u>	<u>145,017</u>
Other interest receivable and similar income		
Bank interest receivable	<u>4,456</u>	<u>4,960</u>
Interest payable and similar expenses		
Bank interest payable	<u>13,495</u>	<u>16,219</u>

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