Registered number: 07304447

AIV EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Whitings LLP
Chartered Accountants & Business Advisers
Greenwood House
Greenwood Court
Skyliner Way
Bury St. Edmunds
Suffolk
IP32 7GY

AIV EUROPE LIMITED

COMPANY INFORMATION

Directors	R G Cook III (appointed 1 June 2022) R N Loving (appointed 1 June 2022)
Company secretary	Taylor Wessing Secretaries Limited
Registered number	07304447
Registered office	5 New Street Square London EC4A 3TW
Independent auditors	Whitings LLP Greenwood House Greenwood Court Skyliner Way Bury St Edmunds Suffolk IP32 7GY

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their strategic report on the group for the year ended 31 December 2022.

Business review

The group's principal activity continues to be the sale and modification of valves.

Group turnover increased from the previous year on strong demand in the oil and gas sector. Gross profit margins improved and allowed the group to increase profitability while overheads remained flat.

Overall the directors are pleased with the performance of the company and its position at the balance sheet date and are confident for the company's future trading prospects.

Principal risks and uncertainties

The main risks are credit, foreign currency risk and market conditions.

Credit risk arises principally from trade debtors. This is mitigated by assessing the credit worthiness of customers and setting appropriate credit limits.

Foreign currency risk arises from purchases and sales in currencies other than the group's reporting currency. This is mitigated by the group holding cash balances in currencies to which it is exposed to fluctuations.

Economic conditions are mitigated by holding sufficient reserves to allow the company to trade during periods of lower activity.

Financial key performance indicators

The group's financial key performance indicators are as follows:-

	2022	*2021*
	£	*£*
Turnover	**£17,142,942**	*£12,854,120*
Gross profit margin	**43.9%**	*38.1%*
Net profit margin	**21.7%**	*12.0%*

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

R G Cook III
Director

Date: 20 April 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £3,718,276 *(2021 - £1,548,596)*.

Directors

The directors who served during the year were:

E W Cook (resigned 1 June 2022)
R G Cook II (resigned 1 June 2022)
R G Cook III (appointed 1 June 2022)
R N Loving (appointed 1 June 2022)

Future developments

Future developments are detailed within the Strategic Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

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

Auditors

The auditors, Whitings LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

R G Cook III
Director

Date: 20 April 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIV EUROPE LIMITED

Opinion

We have audited the financial statements of AIV Europe Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent 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 Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

- Enquiry of management around actual and potential litigation and claims;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, and reviewing accounting estimates for bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIV EUROPE 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Moore (Senior Statutory Auditor)

for and on behalf of
Whitings LLP

Greenwood House
Greenwood Court
Skyliner Way
Bury St Edmunds
Suffolk
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20 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	*2021* *£*
Turnover	4	**17,142,942**	*12,854,120*
Cost of sales		**(9,623,182)**	*(7,957,801)*
Gross profit		**7,519,760**	*4,896,319*
Administrative expenses		**(2,921,415)**	*(2,982,518)*
Other operating income	5	**-**	*46,048*
Operating profit	6	**4,598,345**	*1,959,849*
Interest receivable and similar income	9	**5,125**	*1,188*
Profit before taxation		**4,603,470**	*1,961,037*
Tax on profit	10	**(885,194)**	*(412,441)*
Profit for the financial year		**3,718,276**	*1,548,596*

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 17 to 34 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £		2021 £
Fixed assets					
Intangible assets	12		**189,480**		*267,886*
Tangible assets	13		**466,500**		*451,309*
			655,980		*719,195*
Current assets					
Stocks	15	**3,668,018**		*3,372,920*	
Debtors: amounts falling due within one year	16	**2,229,434**		*1,434,519*	
Cash at bank and in hand	17	**7,580,094**		*3,988,909*	
		13,477,546		*8,796,348*	
Creditors: amounts falling due within one year	18	**(1,650,504)**		*(754,819)*	
Net current assets			**11,827,042**		*8,041,529*
Total assets less current liabilities			**12,483,022**		*8,760,724*
Provisions for liabilities					
Deferred taxation	19	**(100,400)**		*(96,378)*	
			(100,400)		*(96,378)*
Net assets			**12,382,622**		*8,664,346*

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 £	*2021* *£*
Capital and reserves			
Called up share capital	20	**1,030**	*1,030*
Share premium account	21	**201,449**	*201,449*
Other reserves	21	**1,267,973**	*1,267,973*
Profit and loss account	21	**10,912,170**	*7,193,894*
		12,382,622	*8,664,346*

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

R G Cook III
Director

Date: 20 April 2023

The notes on pages 17 to 34 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £		2021 £
Fixed assets					
Tangible assets	13		**20,300**		*14,028*
Investments	14		**1,508,197**		*1,508,197*
			1,528,497		*1,522,225*
Current assets					
Stocks	15	**3,375,454**		*3,117,572*	
Debtors: amounts falling due within one year	16	**2,017,630**		*1,278,984*	
Cash at bank and in hand	17	**5,966,526**		*2,557,193*	
		11,359,610		*6,953,749*	
Creditors: amounts falling due within one year	18	**(1,458,487)**		*(603,040)*	
Net current assets			**9,901,123**		*6,350,709*
Total assets less current liabilities			**11,429,620**		*7,872,934*
Provisions for liabilities					
Deferred taxation	19	**(2,548)**		*(2,201)*	
			(2,548)		*(2,201)*
Net assets			**11,427,072**		*7,870,733*

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

	Note		2022 £		2021 £
Capital and reserves					
Called up share capital	20		**1,030**		*1,030*
Share premium account	21		**201,449**		*201,449*
Other reserves	21		**1,267,973**		*1,267,973*
Profit and loss account brought forward		**6,400,281**		*9,101,435*	
Profit for the year		**3,556,339**		*1,298,846*	
Dividends		**-**		*(4,000,000)*	
Profit and loss account carried forward			**9,956,620**		*6,400,281*
			11,427,072		*7,870,733*

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

R G Cook III
Director

Date: 20 April 2023

The notes on pages 17 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2021	1,022	109,281	1,267,973	9,645,298	11,023,574
Profit for the year	-	-	-	1,548,596	1,548,596
Dividends: Equity capital	-	-	-	(4,000,000)	(4,000,000)
Shares issued during the year	8	92,168	-	-	92,176
At 1 January 2022	1,030	201,449	1,267,973	7,193,894	8,664,346
Profit for the year	-	-	-	3,718,276	3,718,276
At 31 December 2022	1,030	201,449	1,267,973	10,912,170	12,382,622

The notes on pages 17 to 34 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2021	1,022	109,281	1,267,973	9,101,435	10,479,711
Profit for the year	-	-	-	1,298,846	1,298,846
Dividends: Equity capital	-	-	-	(4,000,000)	(4,000,000)
Shares issued during the year	8	92,168	-	-	92,176
At 1 January 2022	1,030	201,449	1,267,973	6,400,281	7,870,733
Profit for the year	-	-	-	3,556,339	3,556,339
At 31 December 2022	1,030	201,449	1,267,973	9,956,620	11,427,072

The notes on pages 17 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	3,718,276	1,548,596
Adjustments for:		
Amortisation of intangible assets	78,406	78,406
Depreciation of tangible assets	115,243	118,474
Loss on disposal of tangible assets	(1,680)	1,899
Interest received	(5,125)	(1,188)
Taxation charge	885,194	412,441
(Increase) in stocks	(292,123)	(74,619)
(Increase) in debtors	(620,759)	(24,905)
(Increase) in amounts owed by groups	(177,156)	(143,302)
Increase/(decrease) in creditors	132,174	(200,032)
Increase/(decrease) in amounts owed to groups	236,922	(135,174)
Corporation tax (paid)	(354,558)	(542,759)
Net cash generated from operating activities	3,714,814	1,037,837
Cash flows from investing activities		
Purchase of tangible fixed assets	(130,755)	(80,774)
Sale of tangible fixed assets	2,001	2,637
Interest received	5,125	1,188
Net cash from investing activities	(123,629)	(76,949)
Cash flows from financing activities		
Issue of ordinary shares	-	92,176
Dividends paid	-	(4,000,000)
Net cash used in financing activities	-	(3,907,824)
Net increase/(decrease) in cash and cash equivalents	3,591,185	(2,946,936)
Cash and cash equivalents at beginning of year	3,988,909	6,935,845
Cash and cash equivalents at the end of year	7,580,094	3,988,909
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,580,094	3,988,909

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022

	At 1 January 2022	Cash flows	At 31 December 2022
	£	£	£
Cash at bank and in hand	3,988,909	3,591,185	7,580,094
	3,988,909	3,591,185	7,580,094

The Group does not have any liabilities arising from financing activities.

1. General information

AIV Europe Limited is a private company limited by shares and is incorporated in England & Wales, registered number 07304447. The address of its registered office is 5 New Street Square, London, EC4A 3TW. The Group's principal activity is the sale and modification of valves.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

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

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. Accounting policies (continued)

2.5 Operating leases: the Group as lessee

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

2.6 Government grants

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

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.10 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful life of goodwill is 10 years.

2. Accounting policies (continued)

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the following methods.

Depreciation is provided on the following basis:

Leasehold improvements	- 5% or 20% on cost
Plant and machinery	- 5% to 25% reducing balance or 5% on cost
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 25% reducing balance or 20% on cost
Office equipment	- 25% reducing balance or 20% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2. Accounting policies (continued)

2.15 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.19 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each

2. Accounting policies (continued)

2.19 Financial instruments (continued)

reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Useful economic lives of tangible assets:-

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

ii) Impairment of stocks:-

The Group makes an estimate for the impairment of stocks using a formula based on the ageing of the stock and historical experience.

iii) Impairment of debtors:-

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

4. Turnover

The whole of the turnover is attributable to the sale and modification of valves.

Analysis of turnover by country of destination:

	2022	2021
	£	£
United Kingdom	12,480,975	9,717,189
Rest of the world	4,661,968	3,136,931
	17,142,943	12,854,120

5. Other operating income

	2022	2021
	£	£
Government grants receivable	-	46,048

Government grants receivable are in respect of the Coronavirus Job Retention Scheme.

6. Operating profit

The operating profit is stated after charging:

	2022	2021
	£	£
Exchange differences	(300,816)	64,914
Other operating lease rentals	228,502	230,075

7. Auditors' remuneration

	2022	2021
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	14,700	14,000

8. Employees

Staff costs were as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	2,192,515	2,060,544	1,197,707	1,105,377
Social security costs	196,794	163,171	100,808	77,712
Cost of defined contribution scheme	58,354	54,817	33,655	30,802
	2,447,663	2,278,532	1,332,170	1,213,891

Key management:-

Key management includes directors and senior management. Compensation paid or payable to key management for employee services was £285,567 (2021 - £257,850).

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

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Management	4	4	4	4
Operations	45	47	15	15
	49	51	19	19

9. Interest receivable

	2022 £	2021 £
Other interest receivable	5,125	1,188

10. Taxation

	2022 £	*2021* *£*
Corporation tax		
Current tax on profits for the year	**881,172**	*395,854*
Adjustments in respect of previous periods	**-**	*2,047*
Total current tax	**881,172**	*397,901*
Deferred tax		
Origination and reversal of timing differences	**3,058**	*(8,650)*
Effect of changes in tax rates	**964**	*23,190*
Total deferred tax	**4,022**	*14,540*
Taxation on profit on ordinary activities	**885,194**	*412,441*

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021 - higher than)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)*. The differences are explained below:

	2022 £	*2021* *£*
Profit on ordinary activities before tax	**4,603,470**	*1,961,037*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**874,659**	*372,597*
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	**14,897**	*14,897*
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**1,345**	*852*
Adjustments to tax charge in respect of prior periods	**-**	*2,047*
Other timing differences leading to an increase (decrease) in taxation	**(6,671)**	*(1,142)*
Changes in future tax rates leading to an increase (decrease) in the tax charge	**964**	*23,190*
Total tax charge for the year	**885,194**	*412,441*

10. Taxation (continued)

Factors that may affect future tax charges

The main rate of UK corporation tax will increase from 19% to a rate between 19% and 25% with effect from 1 April 2023. The deferred tax liability reflects these future rates.

11. Dividends

	2022	*2021*
	£	*£*
Dividend on ordinary shares	**-**	*4,000,000*

12. Intangible assets

Group and Company

	Goodwill
	£
Cost	
At 1 January 2022	**784,057**
At 31 December 2022	**784,057**
Amortisation	
At 1 January 2022	**516,171**
Charge for the year on owned assets	**78,406**
At 31 December 2022	**594,577**
Net book value	
At 31 December 2022	**189,480**
At 31 December 2021	*267,886*

13. Tangible fixed assets

Group

	Long-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Office equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2022	**160,430**	**947,074**	**25,991**	**162,159**	**11,241**	**1,306,895**
Additions	**9,758**	**117,127**	**-**	**3,870**	**-**	**130,755**
Disposals	**-**	**(9,562)**	**-**	**-**	**-**	**(9,562)**
At 31 December 2022	**170,188**	**1,054,639**	**25,991**	**166,029**	**11,241**	**1,428,088**
Depreciation						
At 1 January 2022	**102,639**	**618,950**	**11,371**	**111,385**	**11,241**	**855,586**
Charge for the year on owned assets	**5,692**	**88,296**	**3,655**	**17,600**	**-**	**115,243**
Disposals	**-**	**(9,241)**	**-**	**-**	**-**	**(9,241)**
At 31 December 2022	**108,331**	**698,005**	**15,026**	**128,985**	**11,241**	**961,588**
Net book value						
At 31 December 2022	**61,857**	**356,634**	**10,965**	**37,044**	**-**	**466,500**
At 31 December 2021	*57,791*	*328,124*	*14,620*	*50,774*	*-*	*451,309*

13. Tangible fixed assets (continued)

Company

	Long-term leasehold property	Plant and machinery	Fixtures and fittings	Office equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2022	35,443	144,329	10,784	11,241	201,797
Additions	5,828	7,879	-	-	13,707
At 31 December 2022	41,271	152,208	10,784	11,241	215,504
Depreciation					
At 1 January 2022	35,443	130,301	10,784	11,241	187,769
Charge for the year on owned assets	583	6,852	-	-	7,435
At 31 December 2022	36,026	137,153	10,784	11,241	195,204
Net book value					
At 31 December 2022	5,245	15,055	-	-	20,300
At 31 December 2021	*-*	*14,028*	*-*	*-*	*14,028*

14. Fixed asset investments

Company

	Investments in subsidiary companies
	£
Cost or valuation	
At 1 January 2022	1,508,197
At 31 December 2022	1,508,197

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Adanac Valve Specialities Limited	5 New Street Square, London EC4A 3TW	Ordinary	100 %

The above subsidiary is included in the consolidation.

15. Stocks

	Group 2022 £	*Group 2021 £*	**Company 2022 £**	*Company 2021 £*
Finished goods and goods for resale	**3,668,018**	*3,372,920*	**3,375,454**	*3,117,572*

An impairment loss of £242,369 (2021 - £210,273) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

16. Debtors

	Group 2022 £	*Group 2021 £*	**Company 2022 £**	*Company 2021 £*
Trade debtors	**1,497,367**	*936,616*	**1,407,355**	*802,505*
Amounts owed by group undertakings	**378,051**	*192,229*	**372,564**	*196,944*
Other debtors	**162,485**	*161,386*	**84,722**	*149,698*
Prepayments and accrued income	**165,160**	*140,107*	**152,989**	*129,837*
Amounts recoverable on long term contracts	**26,371**	*4,181*	**-**	*-*
	2,229,434	*1,434,519*	**2,017,630**	*1,278,984*

17. Cash and cash equivalents

	Group 2022 £	*Group 2021 £*	**Company 2022 £**	*Company 2021 £*
Cash at bank and in hand	**7,580,094**	*3,988,909*	**5,966,526**	*2,557,193*

18. Creditors: Amounts falling due within one year

	Group 2022 £	*Group 2021 £*	Company 2022 £	*Company 2021 £*
Trade creditors	**434,910**	*260,236*	**297,871**	*195,581*
Amounts owed to group undertakings	**417,229**	*180,306*	**483,147**	*301,236*
Corporation tax	**572,678**	*49,065*	**564,079**	-
Other taxation and social security	**100,710**	*141,219*	**170**	*170*
Other creditors	**85,318**	*52,498*	**97,358**	*47,967*
Accruals and deferred income	**39,659**	*71,495*	**15,862**	*58,086*
	1,650,504	*754,819*	**1,458,487**	*603,040*

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

19. Deferred taxation

Group

	2022 £	*2021 £*
At beginning of year	**(96,378)**	*(81,838)*
Charged to profit or loss	**(4,022)**	*(14,540)*
At end of year	**(100,400)**	*(96,378)*

19. Deferred taxation (continued)

Company

	2022 £	*2021* £
At beginning of year	**(2,201)**	*(4,455)*
Charged to profit or loss	**(347)**	*2,254*
At end of year	**(2,548)**	*(2,201)*

The provision for deferred taxation is made up as follows:

	Group 2022 £	*Group 2021* £	**Company 2022** £	*Company 2021* £
Accelerated capital allowances	**(101,446)**	*(97,511)*	**(2,548)**	*(2,201)*
Short term timing differences	**1,046**	*1,133*	**-**	*-*
	(100,400)	*(96,378)*	**(2,548)**	*(2,201)*

20. Share capital

	2022 £	*2021* £
Allotted, called up and fully paid		
1,030 *(2021 - 1,030)* Ordinary shares of £1.00 each	**1,030**	*1,030*

21. Reserves

Share premium account

This includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves

This includes additional paid-in capital

Profit and loss account

This includes all current and prior period retained profit and losses.

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £58,354 (2021 - £54,817). Contributions totalling £4,184 (2021 - £4,532) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	*Group 2021 £*	**Company 2022 £**	*Company 2021 £*
Not later than 1 year	**181,245**	*150,115*	**98,736**	*85,000*
Later than 1 year and not later than 5 years	**133,920**	*159,829*	**63,750**	*148,750*
	315,165	*309,944*	**162,486**	*233,750*

24. Related party transactions

Where possible, the Group has taken advantage of the exemption from the requirement to disclose transactions with wholly-owned group companies.

During the previous year, a member of key management was issued 8 ordinary shares for consideration of £92,176. Loan notes were issued of £nil (2021 - £53,075), with interest accruing at 3% above base rate and a term of 5 years. During the year, interest of £1,816 (2021 - £824) was accrued and is recognised within interest received. The loan note balance at the year end was £25,946 (2021 - £48,809) and is recognised within other debtors.

The Group undertakes transactions with wider group members. During the year, sales were made of £1,719,230 (2021 - £1,730,790) and purchases of £5,245,511 (2021 - £3,352,362). Management recharge costs were £329,290 (2021 - £255,035). At the balance sheet date, total debtors from wider group members were £378,051 (2021 - £192,229) and creditors of £482,760 (2021 - £180,306)

25. Controlling party

The immediate parent undertaking is AIV International, Inc, a company incorporated in USA. Group financial statements are not prepared.

The ultimate parent undertaking is AIV Holding, a partnership established in the USA. Group financial statements are prepared but are not publicly available.

The parents registered office and principal place of business is detailed at www.aivinc.com.