



Verification Report – UK Producer
Case AD0059: Certain Engine Oils and Hydraulic Fluids from Lithuania and the United Arab Emirates

Period of Investigation (POI):	1 April 2023 – 31 March 2024
Injury Period:	1 April 2020 – 31 March 2024
Date of report:	1 May 2025
Case team contact details:	AD0059@traderemedies.gov.uk
Interested party verified:	Paterson Enterprises Limited

For further details, please see the [Notice of initiation](#) on the public file.



Contents

Executive Summary	3
Purpose of verification	4
Confidential information	5
Verification	6
A. Company structure and associations	6
B. Accounting Systems and Procedures.....	8
C. Goods	10
D. Costs.....	12
E. Sales	15
F. Injury.....	18
G. Economic Interest Test	21
Conclusions	22
Annexes	24
Annex 1: Meetings.....	24



Executive Summary

The Trade Remedies Authority (TRA) is conducting an anti-dumping investigation to determine whether injury is being caused to the United Kingdom (UK) due to dumping of Certain Engine Oils and Hydraulic Fluids imported into the UK from Lithuania and the United Arab Emirates.

More information about the case can be found on the public files:

[Certain Engine Oils and Hydraulic Fluids from Lithuania and the United Arab Emirates - Trade Remedies Service - GOV.UK](#)

Paterson Enterprises Ltd (Paterson), a domestic producer of like goods, returned a domestic producer questionnaire and annex (questionnaire response). Following TRA's analysis of Paterson's initial submission, further work was undertaken by Paterson to complete the dataset requested by the TRA in order to inform the investigation. This included changes to sales data, inventory valuations and production capacity.

Paterson is a large-sized entity, comprising a group of independent businesses, one of which specialises in the manufacture and distribution of Morris lubricants and related products. It also operates businesses with products unrelated to the goods under review. Paterson is the legal entity and interested party within this investigation, although this report also makes reference to Morris Lubricants.

The TRA sought to verify the completeness, relevance and accuracy of the information submitted and also requested additional information and supporting evidence and calculations to corroborate additions and amendments made to the annex data received:

- We conducted a 'walk-through' of Paterson's accounting system, to gain an understanding of the accounting function, systems and controls, to allow us to assess the level of reliance that can be placed on the data provided by them to inform case decisions.



- We conducted an on-site verification exercise to evaluate the completeness, relevance and accuracy of information provided in the questionnaire and annex response.
- We conducted a site visit of the company's manufacturing premises to gain an appreciation of its production facilities and processes.
- We checked information provided in the questionnaire response regarding general company set-up and associations against information on the company's website, audited financial statements and company secretarial records, including Companies House, for consistency. We also discussed any proposed ownership or restructuring plans with management.
- We conducted testing of Product Control Numbers (PCNs) due to complexity of the PCN structure to ensure accuracy and consistency of the application and mapping of the PCN parameters to internal product codes.
- We reconciled questionnaire responses with information held in the company's accounting system and financial statements, to consider the completeness, relevance and accuracy of the submission.

Based on the verification activity undertaken on the company's initial submission and supplementary evidence, the TRA has a reasonable level of assurance on the completeness, relevance and accuracy of the information provided by the company and we can use it for the purpose of this investigation.

Purpose of verification

The purpose of the TRA's verification activity is to determine whether the information provided by interested parties is complete, relevant, and accurate and can be used to inform our investigation. This report sets out the conclusions reached for each component part of the verification work undertaken by TRA, covering the scope of our work. It also provides an overall conclusion stating the level of assurance reached.



Verified information may then be considered in our assessments and analysis to determine whether dumping has occurred and if this has caused injury to UK industry. This will form the basis for establishing appropriate measures where necessary, and to assess whether these would be in the UK's economic interest.

We carried out verification activities both remotely and onsite. The TRA did not seek to verify all information provided, but undertook the work considered appropriate and possible within the time constraints of the investigation to obtain assurance upon which to base our case decision.

This verification report documents the work completed and provides an overview of the range and scope of verification procedures performed. It details the conclusions reached regarding completeness, relevance and accuracy of the questionnaire submission and provides an overall conclusion stating the level of assurance reached.

Confidential information

Paterson must provide a non-confidential version of the verification report marked as 'non-confidential' in the header.

If any information contained in the verification report is considered confidential, Paterson should delete or redact those sections and provide a non-confidential summary of the information which has been removed. It must provide reasons as to why the particular information is considered confidential (see also [public guidance](#)).

The non-confidential version of the verification report will be placed on the public file.



Verification

Please find below a summary of work completed by the TRA to determine whether the information provided by the company in its questionnaire response is complete, relevant, and accurate.

A. Company structure and associations

What information was considered
<ul style="list-style-type: none"> • Company details including date of incorporation, company addresses etc. • General company structure, ownership, and management. • Associations with other companies. • Accounting compliance and auditor's opinion
<p><i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see Confidential information):</i></p>
How the information was checked
<p>We checked the company structure and associations to gain an understating of Paterson's operations and relationships. This process enabled us to identify any discrepancies and check the authenticity of the information provided.</p> <p>Company details</p> <p>The TRA cross-checked information submitted by Paterson to its most recent audited financial statements from Companies House, as well as other sources, including its corporate website.</p> <p>General company structure, ownership and management</p> <p>We cross-checked details provided by Paterson on its structure, ownership, and management to documents published on Companies House and publicly available information. We confirmed that Paterson comprises of multiple business units, including two which manufacture and distribute lubricants and associated products. For the</p>



purposes of this investigation only one of these entities (Morris) participated, with the second lubricants business unit (GB Lubricants) being non-participative.

Associations with other companies

We compared the associated companies listed by Paterson in its questionnaire response with companies listed in its financial statements and other records and found no other active relationships.

Accounting compliance and auditor’s opinion

The financial statements for Paterson are prepared in accordance with the United Kingdom Generally Accepted Accounting Practices (UK GAAP). The independent auditor gave an unqualified opinion on the financial statements for the year ended 31 July 2024.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

Based on the work performed, we have a reasonable level of assurance that the information relating to Paterson’s company structure and associations can be treated as complete, relevant, and accurate and can therefore be used by the TRA for dumping and injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



B. Accounting Systems and Procedures

What information was considered

- Accounting policies, significant risks and accounts.
- IT Applications.
- Sales and customer order process.
- Purchase order and invoice approval process.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

We checked Paterson’s accounting systems to ascertain the level of reliance that can be placed on the data processed by its information systems.

Accounting policies, significant risks, and accounts

The company’s financial statements are prepared under UK GAAP and the Companies Act 2006, following FRS102.

IT applications

The company uses [Redacted: Details of company accounting system(s)]. A ‘walk-through’ of the sales, purchases, and works order systems was provided, highlighting the complexity of the trial balance due to the diverse nature of the business.

Sales and customer order process

[Redacted: Details of company accounting system(s)]. A demonstration of the sales and customer order process was provided. Minor differences were observed between annex data and invoiced volumes, as well as between invoice and purchase order values. These variances are attributed to raw materials and production being based on weight, while sales are calculated by volume, which are sensitive to fluctuation due to ambient temperature changes.



Purchase order and invoice approval process

An on-screen demonstration of the purchase order process and works order flow was provided. Minor differences between annex data, invoiced volumes, and purchase order values were observed. A suitable understanding of the company’s systems, controls, and processes was obtained, and the explanations provided for data completeness and annex integrity issues were deemed satisfactory.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

Based on the work performed, we have obtained a reasonable understanding of the relevant accounting and associated business systems of Paterson. This enabled us to understand the processes involved and to plan appropriate verification procedures.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



C. Goods

What information was considered

- Goods description and comparability to the like goods
- Product Control Number (PCN) allocations
- Internal coding system
- Top PCNs by sales volume

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

During the walkthrough, we were satisfied that Paterson demonstrated its internal coding system and explained how it was used to relate its own product categories to the PCN table used within the investigation.

Goods description, PCN allocations and internal coding system

Paterson uses an internal coding system to identify products. This system identifies products using [Redacted: Details of company accounting system(s)].

We reviewed the characteristics of PCNs in relation to the internal product catalogue specifications and were able to align them. This process highlighted the inherent complexity of the PCN table, including overlapping technical specifications that allow for multiple valid interpretations. While this may result in varying answers when comparing similar products, we confirmed that no discrepancies were identified, and PCNs were allocated correctly.

[Redacted: Details of PCN selection methodology]

We conducted testing during verification by [Redacted: Details of PCN selection], to establish if there had been any inaccuracies concerning the mapping of internal product codes to the PCNs. We reviewed extracts from internal product catalogues and product specification sheets and discussed with technical management about any potential ambiguities. We are satisfied that the products tested are in-scope and have been



assigned PCNs that were accurate, based on their underlying chemical composition and other relevant specifications.

Plant and machinery

We conducted a physical inspection of the blending facilities to gain an understanding of the production processes and to check that goods declared were consistent with the type of production plant and machinery. Our findings indicate that the commercial activities of the Paterson include those related to production of/blending of lubricant products.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

Based on the work performed, we have a reasonable level of assurance that the information relating to product descriptions and PCNs can be treated as complete, relevant and accurate and can be used by the TRA for dumping and injury assessments, as well as any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



D. Costs

What information was considered

Completeness checks:

- Cost reconciliations
- Completeness of cost to make and sell data

Transactional testing:

- Sample of transactions
- Cost source documents

Cost allocation testing:

- Raw materials
- Labour
- Administration, selling and general (AS&G) costs
- Manufacturing overheads

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

Completeness of costs

The TRA carried out upwards verification, a form of testing involving reconciliation of total costs reported in the questionnaire responses to what is reported in Paterson's financial statements. The most recent financial statements available are a consolidation for the Paterson Enterprises group, with no formal breakdown for the Morris Lubricants business unit included. Consequently, the questionnaire annex data cannot be reconciled directly to the financial statements. Paterson's financial year is also different from the POI, though we were able to use trial balance and management accounts extracts to align its financial data to the POI. We were able to reconcile the total costs of all goods from its questionnaire data to trial balances provided with no material variances observed.

Completeness of cost to make and sell



Direct labour costs were presented using an activity-based costing approach. Paterson calculated the total direct labour costs, which was then allocated across activities based on this methodology. Indirect labour costs include many employees associated with out-of-scope leisure activities, as these are classified as indirect labour due to the lack of direct production involvement within this business unit. Indirect labour costs were allocated proportionally based on the volume of in-scope products sold. Overall, we are satisfied with its methodology.

Paterson clarified during in-person verification that the data in the 'cost reconciliation' annex tab contained some inconsistencies, when compared to the accounting data used in the 'Cost to Make and Sell' tab detail. This was due to the intricacies of the [Redacted: Details of accounting system(s)] used to extract aggregate level data. These inconsistencies were immaterial. As a result, when performing our completeness checks, data from the latter was used, as it has been reconciled with underlying management accounts and trial balance extracts. This did not cause us any issues and we were able to conduct our completeness checks successfully.

Transaction testing

The TRA conducted downwards verification, a form of testing involving checking for accuracy and relevance of cost transactions listed in the questionnaire annex. Prior to the verification visit, the TRA requested source documents for a sample of cost transactions, which was communicated to Paterson in the form of a 'transaction selection'. This transaction selection of cost transactions was compared to source documentation supplied by Paterson during the in-person verification visit. All selected transactions, were backed-up with documentation including purchase orders, invoices and bank payments. No material differences were identified during our testing.

Cost allocations

Raw materials:

Base oils, additives, and packaging costs are directly allocated to the specific products that incur them, reflecting the blended nature of the end product. We obtained bill of material (BoM) examples and compared these to the data held in the annex. We found no inconsistencies.



Direct labour

Direct labour costs are calculated using activity-based costing, consistent with the approach used in Paterson’s management accounts. We found the allocation method to the like goods reasonable.

AS&G

AS&G costs are related to Paterson Enterprises’ group head office function. These were allocated to all goods in Paterson’s management accounts. For the purposes of this case, these costs have been allocated to the like goods by using the volume of each like good sold as a percentage of the total all goods sold. We re-calculated example cost categories and found that the allocation method to the like goods was accurate and reasonable.

Manufacturing Overheads

Manufacturing overheads for all goods has been reconciled back to the management accounts provided by Paterson. These costs have been allocated to the like goods based on the volume sold. This allocation method has been reviewed and tested and has been applied accurately.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

Based on the work performed, we have a reasonable level of assurance that the information relating to cost and cost allocations can be treated as complete, relevant, and accurate and can therefore be used by the TRA for dumping and injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



E. Sales

What information was considered

Completeness of sales:

- Sales reconciliation
- Completeness of data

Transactional testing:

- Transaction-by-transaction domestic sales
- Sales source documentation
- Freight charges

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

Completeness of sales

The TRA conducted upwards verification to ascertain the completeness of the sales figures provided in the questionnaire response. This involved comparing total sales to Paterson's financial statements, although the accounting period does not align with the POI. While Paterson provided audited financial statements, these cover the entire Paterson Enterprises Group and do not include a company-specific breakdown for Morris Lubricants. As a result, it is not possible to reconcile the total sales to the financial statements. Although, trial balance and management accounts extracts covering the POI were provided, allowing us to construct a comparable reporting period. We were able to reconcile the total sales for all goods with no material variances observed. However, in the trial balances we were unable to distinguish between sales of like good and out of scope goods. Consequently, we were unable to reconcile the total sales of like goods to the trial balance and therefore conducted additional completeness checks as part of our transactional testing.

Transactional testing



A sample of sales transactions (the transaction selection) was initially selected from Paterson’s submitted questionnaire annex. Paterson supplied documentation for all selected transactions, including invoices, delivery notes, and bank payments.

During verification, it was identified that the provided domestic sales annex did not include all domestic sales due to a human error where the extract was limited to a portion of the data export request. An updated annex was subsequently provided, and the sample size was expanded to reflect the increase size of the data population.

Issues identified during transactional testing included a missing delivery note for one transaction, which Paterson was unable to locate, and discrepancies in customer names and quantities on some tested documents. The discrepancy in quantities was attributed to a partial fulfilment of an order. Despite these issues, the data from the provided documents was deemed to be sufficiently accurate and relevant and free from material misstatement.

Freight charges

Domestic freight has been calculated using the total domestic freight costs and applying these charges to all orders based on the volume of goods delivered. This method has been reviewed and has been deemed reasonable.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

Based on the work performed, we have a reasonable level of assurance that the information relating to sales activities can be treated as complete, relevant, and accurate



and can therefore be used by the TRA for dumping and injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



F. Injury

What information was considered

- Sales of all goods and like goods
- Profitability of all goods and like goods
- Production output for the like goods
- Market share
- Return on investment
- Capacity and utilisation of capacity for the like goods
- Cash flow for all goods
- Inventory of the like goods
- Employment, median wage and productivity

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

Sales

Domestic sales have been reconciled with total sales and the transaction-by-transaction data submitted by Paterson. A discrepancy in export sales, concerning aggregate level data presented in the 'injury' annex tab compared with transactional level export sales was identified. This affected the data of POI only, with export sales figures for the other years in the injury period being consistent with other data obtained. The affected aggregate level disclosure was corrected by Paterson in its resubmitted annex data. The ratio of like goods sales as a proportion of total company turnover has been calculated for the injury year and POI, remaining consistent throughout.

Profitability

To calculate the net operating profit after tax (NOPAT) for like goods, Paterson used the proportion of turnover attributed to like goods relative to total company turnover to allocate the overall company NOPAT to like goods. This approach has been reviewed and deemed reasonable.



Production output

Output volume has been calculated by apportioning the total volume of sales to like goods. This approach has been reviewed and deemed valid.

Market share

Market share has been calculated by using a third party source to estimate the size of the UK Engine oil and Hydraulic Fluid market. This approach is reasonable.

Return on investment

Return on investment (ROI) figures provided represent profit before tax for each year. This has been reviewed, and the figures are considered reasonable. No additional ROI figures representing a more specific calculation have been provided.

Utilisation of Capacity

Capacity utilisation has been calculated by dividing the output for like goods by the maximum achievable output based on Paterson's current facilities. These figures align with observations from an in-person site tour, including recent investments resulting in efficiency release.

Cash flow

No net cash flow data has been recorded in the annex. Paterson has no practical way to isolate it specifically for the like goods.

Inventories

The stock figures submitted by Paterson have been reviewed, comparing these with other data and are considered reasonable.

Employment, median wage, and productivity

The total number of employees has been compared with and confirmed against the audited financial statements. Median wage figures for like goods employees have been calculated using the current median salary, adjusted for annual pay increases to estimate



figures for previous injury years. This methodology has been calculated by dividing the output by the number of employees for each year. This method has also been reviewed and deemed reasonable.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

Based on the work performed, we have a reasonable level of assurance that the information relating to injury assessment can be treated as complete, relevant, and accurate and can therefore be used by the TRA for dumping and injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



G. Economic Interest Test

What information was considered
<ul style="list-style-type: none"> • Suppliers and customers • Employment figures
<p><i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see Confidential information):</i></p>
How the information was checked
<p>We checked submitted information to confirm the relevance and accuracy of what was provided for analysis in relation to the Economic Interest Test.</p> <p>Suppliers and customers</p> <p>Customers and suppliers have been checked and confirmed during transactional-level testing. These verification procedures, for purchases and sales, are referred to above in Section D – Costs and Section E – Sales.</p> <p>Employment figures</p> <p>Paterson has provided extracts showing its employment per sector. These figures match figures posted in the injury annex and have also been reconciled to its audited accounts. The verification of employment figures has been referred to in Section F – Injury.</p> <p><i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see Confidential information):</i></p>
Exceptions/Findings/Adjustments
<p>None.</p> <p><i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see Confidential information):</i></p>
Conclusions



Based on the work performed, we have a reasonable level of assurance that the information relating to the economic interest test can be treated as complete, relevant, and accurate and can therefore be used by the TRA for dumping and injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

We confirmed company details and ownership information submitted by Paterson by cross-referencing to audited financial statements and information published on the company website and Companies House.

We reviewed the allocation of like goods to PCNs to ensure consistency and accuracy. No material variances were identified.

While we were unable to reconcile the cost and sales totals from the submitted questionnaire to the audited financial accounts, which were for a period that did not align with the POI and were related to the Paterson Enterprises group, we were able to reconcile these totals to a constructed reporting period using trial balance and management accounts extracts. No material variances were identified.

During verification, Paterson demonstrated how cost and sales data are generated from its accounting systems. A sample of cost and sales transaction was traced back to source documents, with no material or unresolved issues identified. We have checked the information submitted by the company to support its allegations of injury. We verified that the injury figures are consistent with source documents provided and the calculation methods appeared to be reasonable.

Paterson provided sufficient and appropriate evidence, which enabled us to conduct verification work on a sample basis as detailed in the above sections. Based on the work performed, and the re-submission of the questionnaire annex to ensure omitted data was subsequently included, and errors corrected, we have a reasonable level of



assurance that the information provided in Paterson's questionnaire response is complete, relevant, and accurate for the purpose of this investigation.



Annexes

Annex 1: Meetings

Date and duration	Type of authentication	Company representatives	TRA representatives
7 th November 2024 (1 hour 30 minutes)	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	[Redacted: Personal information, 3 individuals]	[Redacted: Personal information, 3 individuals]
4 th December to 6 th December 2024 (3 days)	<input type="checkbox"/> remote <input checked="" type="checkbox"/> on-site	[Redacted: Personal information, 3 individuals]	[Redacted: Personal information, 4 individuals]