

Company Registration No. 03664462 (England and Wales)

ALCO VALVES GROUP LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 27 JUNE 2021

ALCO VALVES GROUP LIMITED

COMPANY INFORMATION

Director	Mr M Sargent
Company number	03664462
Registered office	Unit Ar2 Armytage Road Industrial Estate Armytage Road Brighouse West Yorkshire HD6 1PT
Auditor	Bache Brown & Co Limited Swinford House Albion Street Brierley Hill West Midlands DY5 3EE
Business address	Unit Ar2 Armytage Road Industrial Estate Armytage Road Brighouse West Yorkshire HD6 1PT

ALCO VALVES GROUP LIMITED

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ALCO VALVES GROUP LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 27 JUNE 2021

The director presents the strategic report for the Period ended 27 June 2021.

Fair review of the business

The financial results of the company are on page 8. The result for the period was a profit of £2,946,006 (2019 - £3,493,948). The results for the period are significantly skewed by a number of transactions with other group companies, in particular in relation to the sale of the business which will be discussed in more detail below. Furthermore, the first 9 months of the trading period were dominated by significant long-term contracts which were secured under challenging market conditions and upon which profit margins were significantly below industry norms; these contracts were undertaken by the previous owners with the intention of developing long-term relationships with key customers. This approach bore fruit in the second half of the trading period with repeat orders being secured for products at significantly increased pricing, thereby greatly reducing loss-making work.

On 10 July 2020 the company was sold by Graco group to Alco Valves Holdings Limited. All liabilities to the Graco group (both trading balances and loans totalling £8,762,914) were either satisfied or reassigned by this transaction which resulted in a significant boost to working capital resources. £4,262,914 of the Graco group loan balance was assigned to being owed to Alco Valves Holdings Limited and was subsequently reassigned to M J Sargent, a connected party. The remaining balance due to Graco group was satisfied as a result of the transaction. On 10 July 2020 the amounts owed to Alco Valves Holdings Limited, and subsequently M J Sargent, were secured over the assets of the company by the issue of a debenture in favour of the parent.

Post-acquisition the business made significant reductions in overheads (circa £750k per annum was saved by the removal of the Graco group management structure alone) and in January 2021 the business moved to smaller premises.

In November 2020 a significant restructuring of the business took place. This returned to the approach taken prior to Graco group's ownership whereby the business was split into separate entities to enable the trading performance of each product sector to be more readily assessed. This resulted in the company transferring the bulk of employees to these other operating entities and the company supplying raw materials to those other entities in return for a profit share. With effect from January 2022 the company is only making limited sales directly to customers (in relation to the pre-existing order book).

Principal risks and uncertainties

Market conditions - With the price of oil at a depressed level, the level of projects and investment throughout the industry are below the long term average although we are seeing increased opportunities shown by the number of quotes we are delivering.

Market pricing and competition - Due to the low levels of investment by the end market the business has experience of a highly competitive market with pressure on selling prices and margins.

Managing risk - The business recognises and accepts there are risks and these are managed through a framework of documented policies, procedures and internal controls. There is an on-going process for reviewing these policies in the light of changing conditions.

Development and performance

The restructuring of the business has resulted in the company transferring the bulk of employees to these other operating entities and the company supplying raw materials to those other entities in return for a profit share. With effect from January 2022 the company is only making limited sales directly to customers (in relation to the pre-existing order book).

Key performance indicators

The business has a framework of management information and measures that are reviewed monthly by the director and senior managers to track performance. Since the restructuring of the business, the key performance indicators are profit share, the supply of raw materials and overheads.

ALCO VALVES GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

On behalf of the board

Mr M Sargent

Director

20 April 2022

ALCO VALVES GROUP LIMITED

DIRECTOR'S REPORT

FOR THE PERIOD ENDED 27 JUNE 2021

The director presents his annual report and financial statements for the Period ended 27 June 2021.

Principal activities

During the period covered by these accounts, the principal activities of the company were the design, manufacturing and supply of technically advanced, precision made, high integrity valve product and accessories predominately sold to companies operating in the oil, natural gas and petrochemical industries.

In December 2020 the director completed his reorganisation of the business to enable each product sector to be run and measured independently. The majority of the company's employees were transferred into the new entities and product sales are now made via those new entities. The company supplies stock to these new entities and receives a profit share.

Results and dividends

The results for the Period are set out on page 8.

Ordinary dividends were paid amounting to £4,500,000. The director does not recommend payment of a final dividend.

Director

The director who held office during the Period and up to the date of signature of the financial statements was as follows:

Mr M Sargent

Auditor

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

Statement of director's responsibilities

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

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

The director is 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. He is 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.

Statement of disclosure to auditor

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

ALCO VALVES GROUP LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

On behalf of the board

Mr M Sargent
Director

20 April 2022

ALCO VALVES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALCO VALVES GROUP LIMITED

Disclaimer of opinion

We were engaged to audit the financial statements of Alco Valves Group Limited (the 'company') for the Period ended 27 June 2021 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements. Because of the significance of the matter described in the 'Basis for Disclaimer of Opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

- 1) We have been unable to obtain sufficient appropriate evidence regarding the appropriateness of management use of going concern basis of accounting in the preparation of the financial statements.
- 2) We were not appointed as auditors until after 27 June 2021 and thus did not observe the counting of physical inventory at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the stock levels held at 27 June 2021 and 31 December 2019, which are stated in the financial statements at £1,365,498 and £4,794,216 respectively.
- 3) As described in the strategic report the business was sold during the accounting period. This has led to the following entries being made in the accounting records where we have been unable to obtain sufficient appropriate audit evidence.
 - Intercompany balances write off of £1,480,988 which has been debited to management charges receivable.
 - Taxation credit of £569,771 disclosed at note 10 of the accounts.

Disclaimer of Opinion on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis of disclaimer of opinion section of our report we have been unable to form an opinion, whether 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 the applicable legal requirements.

Matters on which we are required to report by exception

Arising from the limitation of our work described above:

- we have been unable to determine whether there are material misstatements in the strategic and/or the directors report in light of the knowledge and understanding of the company and its environment obtained in the course of the audit;
- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been maintained.

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;

- returns adequate for our audit have not been received branches not visited by us; or
- the financial statements are not in agreement with the accounting records and return; or
- certain disclosures of director's remuneration specified by law are not made.

ALCO VALVES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ALCO VALVES GROUP LIMITED

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the entities financial statements in accordance with international standards on auditing (UK) and to issue an audit report. However, because of the matter is described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion of the financial statements.

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.

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.

Approach to assessing the risks of misstatement due to irregularities, including fraud

We assess the risk of material misstatement in respect of fraud by meeting with management to understand where it considered there was susceptibility to fraud.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant reporting frameworks which are likely to affect the company include FRS102, the Companies Act 2006 and the relevant tax laws. In addition we determined that there were no significant laws and regulations which have a direct effect on the amounts and disclosures in the financial statements.

Audit response to risks identified

We considered the risk of fraud through management override on controls. We also considered how management bias may impact upon performance targets.

In response we performed audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of any significant transactions outside the normal course of business, reviewing accounting estimates for management bias.

Based on the results of our risk assessment we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries with management around actual and potential claims. Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

ALCO VALVES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ALCO VALVES GROUP LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Richard Baker (Senior Statutory Auditor)
For and on behalf of Bache Brown & Co Limited

20 April 2022

Chartered Certified Accountants
Statutory Auditors

Swinford House
Albion Street
Brierley Hill
West Midlands
DY5 3EE

ALCO VALVES GROUP LIMITED

INCOME STATEMENT

FOR THE PERIOD ENDED 27 JUNE 2021

		18 Months ended 27 June 2021 £	Year ended 27 December 2019 £
	Notes		
Turnover	3	10,895,123	8,535,814
Cost of sales		(10,912,773)	(13,047,206)
Gross loss		(17,650)	(4,511,392)
Administrative expenses		(2,442,118)	(2,749,853)
Other operating income		647,691	7,287,110
Exceptional item	4	4,500,000	-
Operating profit	5	2,687,923	25,865
Interest receivable and similar income	7	70,331	1,673,005
Interest payable and similar expenses	8	(382,019)	(462,849)
Other gains and losses	9	-	2,299,369
Profit before taxation		2,376,235	3,535,390
Tax on profit	10	569,771	(41,442)
Profit for the financial Period		<u>2,946,006</u>	<u>3,493,948</u>

The income statement has been prepared on the basis that all operations are continuing operations.

ALCO VALVES GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 27 JUNE 2021

	18 Months ended 27 June 2021 £	Year ended 27 December 2019 £
Profit for the Period	2,946,006	3,493,948
Other comprehensive income	-	-
Total comprehensive income for the Period	<u>2,946,006</u>	<u>3,493,948</u>

ALCO VALVES GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 27 JUNE 2021

		2021		2019	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	12		46,685		6,448,550
Investments	13		2		102
			<u>46,687</u>		<u>6,448,652</u>
Current assets					
Stocks	15	1,365,498		4,794,216	
Debtors	16	4,049,595		3,857,642	
Cash at bank and in hand		791,609		408,413	
		<u>6,206,702</u>		<u>9,060,271</u>	
Creditors: amounts falling due within one year	17	<u>(5,675,152)</u>		<u>(3,826,534)</u>	
Net current assets			<u>531,550</u>		<u>5,233,737</u>
Total assets less current liabilities			<u>578,237</u>		<u>11,682,389</u>
Creditors: amounts falling due after more than one year	18		-		(8,176,788)
Provisions for liabilities					
Provisions	20	<u>34,805</u>	<u>(34,805)</u>	<u>1,408,175</u>	<u>(1,408,175)</u>
Net assets			<u><u>543,432</u></u>		<u><u>2,097,426</u></u>
Capital and reserves					
Called up share capital	23		50,397		50,397
Share premium account			111,914		111,914
Profit and loss reserves			381,121		1,935,115
Total equity			<u><u>543,432</u></u>		<u><u>2,097,426</u></u>

The financial statements were approved and signed by the director and authorised for issue on 20 April 2022

Mr M Sargent
Director

Company Registration No. 03664462

ALCO VALVES GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 27 JUNE 2021

	Share capital	Share premium account	Profit and loss reserves	Total
Notes	£	£	£	£
Balance at 29 December 2018	50,397	111,914	(1,607,896)	(1,445,585)
Period ended 27 December 2019:				
Profit and total comprehensive income for the period	-	-	3,493,948	3,493,948
Capital contribution	-	-	49,063	49,063
Balance at 27 December 2019	50,397	111,914	1,935,115	2,097,426
Period ended 27 June 2021:				
Profit and total comprehensive income for the period	-	-	2,946,006	2,946,006
Dividends	11	-	(4,500,000)	(4,500,000)
Balance at 27 June 2021	50,397	111,914	381,121	543,432

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 27 JUNE 2021

1 Accounting policies

Company information

Alco Valves Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit Ar2, Armytage Road Industrial Estate, Armytage Road, Brighouse, West Yorkshire, HD6 1PT.

1.1 Accounting convention

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

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

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Alco Valves Holdings Limited. These consolidated financial statements will be available from its registered office, Unit Ar2, Armytage Road Industrial Estate, Brighouse, West Yorkshire, England, HD6 1PT.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Reporting period

The company extended its year end meaning the current reporting period is for an eighteen month period.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

1 Accounting policies (Continued)

1.4 Turnover

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

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

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

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

Other Income

Other income is recognised when the right to receive payment is established.

Prior to the change in ownership, the company received management charges from Graco Inc.

Management charges receivable relate to a marketing agreement between the company and Graco Inc. following the sale of intellectual property by the company to Graco Inc. The marketing agreement enables the company to continue using and developing the intellectual property and the company is reimbursed for any development costs as well as a fixed profit percentage adjustment on related trade. This is in the form of management charges included within other income.

Since the reorganisation of the business in December 2020, product sales are now made via new entities and the company receives a profit share.

1.5 Research and development expenditure

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

1.6 Tangible fixed assets

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

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

Freehold land and buildings	3.33% straight line basis
Plant and equipment	12.5% straight line basis
Fixtures and fittings	14.3 - 33.3% straight line basis
Motor vehicles	25% straight line basis

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

1 Accounting policies (Continued)

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

1.7 Fixed asset investments

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

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

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

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

1.8 Impairment of fixed assets

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

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

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

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

1.9 Stocks

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

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

1 Accounting policies (Continued)

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

1.10 Cash and cash equivalents

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

1.11 Financial instruments

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

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

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

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

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

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

1 Accounting policies

(Continued)

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

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

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

1 Accounting policies

(Continued)

Current tax

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

Deferred tax

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

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

1.14 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

1.15 Employee benefits

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

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

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

1.16 Retirement benefits

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

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

1.18 Leases

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

1 Accounting policies

(Continued)

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

1.19 Government grants

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

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

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets connected.

1.20 Foreign exchange

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

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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 re-assessed 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. See note 11 for the carrying amount of the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Impairment of debtors

The company 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. As a result an impairment is recognised in the profit or loss.

Stock provisioning

When calculating the stock provision, management considers the nature and condition of inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

3 Turnover and other revenue

	2021	2019
	£	£
Turnover analysed by class of business		
Manufacturing and supply of valves	10,120,209	8,535,814
Profit share receivable from associated companies	774,914	-
	<u>10,895,123</u>	<u>8,535,814</u>
	2021	2019
	£	£
Other significant revenue		
Dividends received	70,331	1,673,005
Grants received	-	14,058
Management charge receivable	601,526	7,249,529
	<u>671,857</u>	<u>7,267,592</u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

3 Turnover and other revenue		(Continued)	
	2021	2019	
	£	£	
Turnover analysed by geographical market			
United Kingdom	2,275,371	2,824,193	
Rest of Europe	929,190	1,031,379	
North America	685,977	777,737	
Africa and Middle East	620,657	1,066,886	
Asia-Pacific	6,358,124	2,585,163	
South America	25,804	250,456	
	<u>10,895,123</u>	<u>8,535,814</u>	
4 Exceptional item		2021	2019
		£	£
Income			
Holding company loan write off	(4,500,000)	-	-
	<u>(4,500,000)</u>	<u>-</u>	<u>-</u>
Prior to the company sale Graco Group agreed to write off the above inter company debt owed by Alco Valves Group Limited.			
5 Operating profit		2021	2019
		£	£
Operating profit for the period is stated after charging/(crediting):			
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	95,112	45,089	
Research and development costs	100,442	58,330	
Government grants	-	(14,058)	
Fees payable to the company's auditor for the audit of the company's financial statements	50,820	32,750	
Depreciation of owned tangible fixed assets	414,208	684,780	
Loss/(profit) on disposal of tangible fixed assets	796,243	(5,000)	
Impairment of stocks recognised or reversed	618,042	1,353,581	
Share-based payments	-	49,063	
Operating lease charges	151,152	102,864	
	<u>1,511,017</u>	<u>2,365,407</u>	

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

6 Employees

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

	2021 Number	2019 Number
Administration	32	74
Production	30	49
Total	<u>62</u>	<u>123</u>

Their aggregate remuneration comprised:

	2021 £	2019 £
Wages and salaries	3,254,803	4,155,128
Social security costs	548,909	234,173
Pension costs	89,801	100,440
	<u>3,893,513</u>	<u>4,489,741</u>

Included within wages and salaries is an amount of £Nil (2019 - £49,063) relating to share-based payment transactions.

7 Interest receivable and similar income

	2021 £	2019 £
Income from fixed asset investments		
Income from shares in group undertakings	70,331	1,673,005
	<u>70,331</u>	<u>1,673,005</u>

8 Interest payable and similar expenses

	2021 £	2019 £
Interest on bank overdrafts and loans	2,203	-
Interest payable to group undertakings	194,290	462,849
Other interest paid	185,526	-
	<u>382,019</u>	<u>462,849</u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

9	Other gains and losses	2021	2019
		£	£
	Profit on disposal of intellectual property including patents	-	2,299,369
		<u> </u>	<u> </u>

10	Taxation	2021	2019
		£	£
	Current tax		
	Adjustments in respect of prior periods	(569,771)	41,442
		<u> </u>	<u> </u>

The actual (credit)/charge for the Period can be reconciled to the expected charge for the Period based on the profit or loss and the standard rate of tax as follows:

	2021	2019
	£	£
Profit before taxation	2,376,235	3,535,390
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	451,485	671,724
Tax effect of expenses that are not deductible in determining taxable profit	1,959	76,145
Tax effect of income not taxable in determining taxable profit	(855,000)	(317,871)
Change in unrecognised deferred tax assets	422,940	(384,735)
Adjustments in respect of prior years	(569,771)	41,442
Effect of change in corporation tax rate	-	(45,263)
Dividend income	(13,362)	-
Expense provisions adjustment	(8,022)	-
	<u> </u>	<u> </u>
Taxation (credit)/charge for the period	(569,771)	41,442
	<u> </u>	<u> </u>

The company has tax losses amounting to £6,375,583 (2019 - £5,127,601)

11	Dividends	2021	2019
		£	£
	Interim paid	4,500,000	-
		<u> </u>	<u> </u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

12 Tangible fixed assets

	Freehold land and buildings	Assets under construction	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 28 December 2019	5,822,021	7,500	2,757,127	207,179	15,361	8,809,188
Additions	-	-	66,961	14,928	-	81,889
Disposals	(5,822,021)	(7,500)	(2,774,063)	(222,107)	(15,361)	(8,841,052)
At 27 June 2021	-	-	50,025	-	-	50,025
Depreciation and impairment						
At 28 December 2019	1,093,743	-	1,069,999	181,535	15,361	2,360,638
Depreciation charged in the Period	169,197	-	230,502	14,509	-	414,208
Eliminated in respect of disposals	(1,262,940)	-	(1,297,161)	(196,044)	(15,361)	(2,771,506)
At 27 June 2021	-	-	3,340	-	-	3,340
Carrying amount						
At 27 June 2021	-	-	46,685	-	-	46,685
At 27 December 2019	4,728,278	7,500	1,687,128	25,644	-	6,448,550

13 Fixed asset investments

	Notes	2021 £	2019 £
Investments in subsidiaries	14	2	102

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

13	Fixed asset investments	(Continued)
	Movements in fixed asset investments	
		Shares in subsidiaries
		£
	Cost or valuation	
	At 28 December 2019	1,333
	Disposals	(100)
	At 27 June 2021	1,233
	Impairment	
	At 28 December 2019 & 27 June 2021	1,231
	Carrying amount	
	At 27 June 2021	2
	At 27 December 2019	102

14 Subsidiaries

Details of the company's subsidiaries at 27 June 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Alco Valves Singapore PTE Limited	4 Battery Road, #25-01, 029908, Singapore	Ordinary	100.00	-
Alco Valves US Inc.	11275 West Sam Houston Pkwy, Suite 175, Houston, Texas 77031, United States of America	Ordinary	50.03	49.97

During the prior year, Alco Valves Singapore PTE Limited ceased trading and a liquidation process commenced.

During the year, Alco Valves US Inc. ceased trading and a liquidation process commenced.

During the year, all shares in Sabre Instrument Valves Limited (Previously known as Alco Components Limited) were sold to Alco Valves Holdings Limited.

15 Stocks

	2021	2019
	£	£
Raw materials and consumables	384,263	676,967
Work in progress	351,491	2,969,381
Finished goods and goods for resale	629,744	1,147,868
	1,365,498	4,794,216

During the year, an impairment loss on stocks of £1,971,623 (2019 - £1,353,581) was recognised within cost of sales. No stock write downs have been reversed in either the current or preceding year.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

16 Debtors		2021	2019
Amounts falling due within one year:		£	£
Trade debtors		209,948	2,153,014
Corporation tax recoverable		-	63,313
Amounts owed by group undertakings		308,603	1,114,156
Other debtors		3,344,770	455,767
Prepayments and accrued income		186,274	134,705
		<u>4,049,595</u>	<u>3,920,955</u>
		<u><u>4,049,595</u></u>	<u><u>3,920,955</u></u>
17 Creditors: amounts falling due within one year		2021	2019
	Notes	£	£
Other borrowings	19	-	37,579
Trade creditors		700,574	1,437,802
Amounts owed to group undertakings		721,660	572,922
Taxation and social security		102,784	109,946
Government grants	21	-	14,058
Other creditors		3,555,377	37,179
Accruals and deferred income		594,757	1,617,048
		<u>5,675,152</u>	<u>3,826,534</u>
		<u><u>5,675,152</u></u>	<u><u>3,826,534</u></u>
18 Creditors: amounts falling due after more than one year		2021	2019
	Notes	£	£
Other borrowings	19	-	8,091,620
Government grants	21	-	85,168
		<u>-</u>	<u>8,176,788</u>
		<u><u>-</u></u>	<u><u>8,176,788</u></u>
Amounts included above which fall due after five years are as follows:			
Payable by instalments		-	8,091,620
		<u>-</u>	<u>8,091,620</u>
		<u><u>-</u></u>	<u><u>8,091,620</u></u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

19 Loans and overdrafts

	2021 £	2019 £
Loans from group undertakings	-	8,129,199
Payable within one year	-	37,579
Payable after one year	-	8,091,620

On 10 July 2020 the company was sold by Graco Group to Alco Valves Holdings Limited and all liabilities to Graco were either satisfied or reassigned.

£4,262,914 was assigned to Alco Valves Holdings Limited and was subsequently reassigned to MJ Sargent. This loan is secured over the assets of the company by the issue of a debenture. The loan due to MJ Sargent is included in other creditors due within one year.

20 Provisions for liabilities

	2021 £	2019 £
Liquidated damages provision	34,805	154,000
Contract losses provision	-	1,254,175
	34,805	1,408,175

Movements on provisions:

	Liquidated damages provision £	Contract losses provision £	Total £
At 28 December 2019	154,000	1,254,175	1,408,175
Additional provisions in the year	34,805	-	34,805
Reversal of provision	(154,000)	-	(154,000)
Utilisation of provision	-	(1,254,175)	(1,254,175)
At 27 June 2021	34,805	-	34,805

The liquidated damages provision is due to goods not being delivered in the expected timeframe and as such, part of the underlying contracts, there are certain metrics which enable the customers to clawback part of the invoiced value.

The contract losses provision is based on the standard cost of products and the amounts that have been invoiced to date for these products to calculate a provision for the total loss on these contracts.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2021

21 Government grants

	2021 £	2019 £
Arising from government grants	-	99,226
	<u> </u>	<u> </u>
Deferred income is included in the financial statements as follows:		
Current liabilities	-	14,058
Non-current liabilities	-	85,168
	<u> </u>	<u> </u>
	-	99,226
	<u> </u>	<u> </u>

22 Retirement benefit schemes

	2021 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	89,801	100,440
	<u> </u>	<u> </u>

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

23 Share capital

	2021 Number	2019 Number	2021 £	2019 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 10p each	503,970	503,970	50,397	50,397
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Share premium

Consideration received for shares issued above their nominal value net of transaction costs. There was no movement on the share premium account during the financial year.

24 Operating lease commitments

Lessee

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

	2021 £	2019 £
Within one year	13,802	-
Between two and five years	31,471	-
	<u> </u>	<u> </u>
	45,273	-
	<u> </u>	<u> </u>

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