

Company Registration No. 03664462 (England and Wales)

ALCO VALVES GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
27 DECEMBER 2019



ALCO VALVES GROUP LIMITED

COMPANY INFORMATION

Director	M J Sargent
Company number	03664462
Registered office	Unit Ar2 Armytage Road Industrial Estate Brighouse West Yorkshire HD6 1PT
Auditor	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

ALCO VALVES GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 27 DECEMBER 2019

The director presents the strategic report and financial statements for the year ended 27 December 2019.

Principal activities

During the year 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 entities and receives a profit share

Fair review of the business

The financial results of the company are on page 8. The result for the year was a profit of £3,493,948 (2018 – loss of £3,714,225). These improved results are as a result of transactions with other group companies rather than an uplift in underlying trading performance; a dividend of £1,673,005 was received from the Singapore subsidiary and a further £2,299,369 was realised from the sale of intellectual property to Graco Inc. ("Graco group"). The financial results for the year are dominated by significant long-term contracts which were secured under challenging market conditions and upon which profit margins were significantly below industry norms; the working capital pressure generated by these contracts was funded by additional loans from the Graco group. These contracts were undertaken with the intention of developing long-term relationships with key customers in the market and this has borne fruit in the following financial year with additional contracts being secured at significantly increased unit prices. In many cases these new contracts are repeat orders for products that have already been fully developed and hence have the twin benefits of increased selling price and reduced engineering input.

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 has 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. The Graco group loans that were written off had been provided to fund material purchases on loss-making contracts and the removal of these loans resulted in the materials effectively becoming "free" to the revised entity post-acquisition (and therefore made the contracts cash generative).

A significant further stock write down of £1,353,581 was considered appropriate by the new management of the business. Historically the business had issues with purchasing in large quantities to reduce unit prices and this resulted in high stock holdings and stock provisioning was previously based on future usage forecasts which were considered to be highly optimistic. These projections have been revised downwards resulting in the increased stock loss provision.

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). This, coupled with the onset of more profitable contracts, has enabled the business to return to profitability in the last quarter of 2020. From November 2020 a significant restructuring of the business took place, returning 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. Further details are provided in the "Post reporting date events" section of the Director's Report.

The business moved to new premises in January 2021 resulting in a further reduction in overheads.

ALCO VALVES GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

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

Following the sale of the business on 10 July 2020 the business has been split into separate entities to enable sector profitability to be more readily assessed. The business has invested significantly in improvements to internal systems to enable profit by product to be assessed and has moved away from the standard costing system previously employed. This enables non-profitable work to be more easily identified and more informed business decisions to be made. Further details are provided in the "Post reporting date events" section of the Director's Report.

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 and progress against business plans and strategy. A number of measures such as the level of quotations, conversion rates, quality and delivery performance are commercially sensitive and in the opinion of the director it is not in the company's best interest to disclose.

The following table shows 2 KPIs and links them to the strategic rationale for tracking them:

	Strategic rationale	2019	2018	Comment
Turnover	Business development	£8,535,814	£7,373,170	Satisfactory growth during the year
Gross loss percentage of turnover	Productivity	-52.9%	-4.8%	Low margin contracts and stock impairment losses

On behalf of the board



M J Sargent
Director

11th JUNE 2021

ALCO VALVES GROUP LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 27 DECEMBER 2019

The director presents his annual report and financial statements for the year ended 27 December 2019.

Results and dividends

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

No interim dividends were paid (2018 - £nil). The director does not recommend payment of a final dividend (2018 - £nil).

In 2020, the company made a distribution in specie of a £4.5 million promissory note received from Graco group for the sale of the property.

Directors

The directors who held office during the year and up to the date of signature were as follows:

K P Gallivan	(Resigned 10 July 2020)
M W Sheahan	(Resigned 10 July 2020)
M J Sargent	(Appointed 10 July 2020)

Post reporting date events

On 10 July 2020, the company was sold by Graco group to Alco Valves Holdings Limited. The business moved to new premises in January 2021, the company's freehold land and buildings having been sold back to Graco group.

The sale of the business generated significant positive cash flows, as funds previously loaned into the business by Graco group to fund working capital on loss-making contracts were either reassigned to Alco Valves Holdings Limited or written off. Graco group liabilities totalling £8,762,914 were satisfied or reassigned as a result of the sale, with £4,262,914 of the original loan being assigned to Alco Valves Holdings Limited. This loan was subsequently reassigned by Alco Valves Holdings Limited 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.

Following the acquisition on 10 July 2020 a significant restructuring of the business took place. Headcount was significantly reduced, with the removal of the Graco group management structure alone saving the business £750k per annum. The director identified that there had been significant investment in plant and equipment but that the strategy for the business going forward meant that much of this was surplus to requirements. These assets were sold generating cashflow to the business of £693,068 without any significant impact on operating capacity.

Prior to Graco group's ownership the business had been operated through numerous separate entities to enable product sector performance to be managed more easily and a decision was taken to revert to this approach. During November 2020 and December 2020 three new entities commenced trading and the bulk of the staff from the company were transferred to these entities. The company provides stock to these entities and is entitled to a profit share from each of them.

Strategic report

In accordance with section 414C(11) of the Companies Act 2006 the company has prepared a Strategic Report, which includes information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, that would have been previously included in the Director's Report. It has done so in respect of principal activities.

ALCO VALVES GROUP LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

Statement of disclosure to auditor

The audit process was significantly delayed by the COVID pandemic and the subsequent sale of the business. The director engaged fully with the audit process and spent many months providing requested documentation, explanations, management accounts and forecasts, however the aforementioned delays and the complexity of the acquisition resulted in the initial filing deadline being missed. The business was then restructured resulting in its cashflows being dependent upon the profitability of multiple connected entities. With the accounts already being late and in receipt of warning letters from Companies House in this regard the director reluctantly concluded that the audit process was out of time, as there was no time available to provide revised forecasts for the restructured business and deal with all subsequent enquiries relating thereto. To this end the director elected not to provide this further information in the interests of getting accounts that were already seriously overdue into the public domain at the earliest opportunity.

On behalf of the board



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M J Sargent
Director

Date: 11th JUNE 2021

ALCO VALVES GROUP LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 27 DECEMBER 2019

The director is responsible for preparing the Strategic Report and the Director's 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.

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 year ended 27 December 2019 which comprise the income statement, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 of the company. 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 the financial statements.

Basis for disclaimer of opinion

As described in the Director's Report, the audit evidence provided to us was limited and as a result, we have been unable to evaluate management's future plans and actions which underpin their assessment that the going concern basis of accounting is appropriate. As a result, we have been unable to:

- obtain sufficient appropriate evidence regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and
- determine whether any adjustments or additional disclosure may have been necessary.

Other information

The other information comprises the Strategic Report and the Director's Report. The directors are responsible for the other information.

Our responsibility is to read the other information and express an opinion on whether the other information is consistent with the audited financial statements and has been prepared in accordance with applicable legal requirements and to state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we have identified any material misstatements in the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to give an indication of the nature of the material misstatement.

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

Because of the significance of the matter described in the basis 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 the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report has been prepared in accordance with the applicable legal requirements.

In our opinion the Director's Report has not been prepared in accordance with the applicable legal requirements specifically the requirement of section 418 of the Companies Act 2006.

Matters on which we are required to report by exception

Arising from the limitation of our work referred to above:

- we have been unable to determine whether there are material misstatements in the strategic and / or the director's report in the 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 have been kept.

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 from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

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

Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 5, 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 company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter 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 on 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.

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.

RSM UK Audit LLP

Paul Langhorn FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL
15/6/21

ALCO VALVES GROUP LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 27 DECEMBER 2019

		Year ended 27 December 2019 £	Year ended 28 December 2018 £
Turnover	3	8,535,814	7,373,170
Cost of sales		(13,047,206)	(7,727,862)
Gross loss		(4,511,392)	(354,692)
Administrative expenses		(2,749,853)	(3,455,921)
Other operating income	3	7,287,110	29,271
Operating profit/(loss)	5	25,865	(3,781,342)
Interest receivable and similar income	6	1,673,005	-
Interest payable and similar expenses	7	(462,849)	(598,726)
Other gains and losses	8	2,299,369	-
Profit/(loss) before taxation		3,535,390	(4,380,068)
Tax on profit/(loss)	9	(41,442)	665,843
Profit/(loss) for the financial year		3,493,948	(3,714,225)

ALCO VALVES GROUP LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 27 DECEMBER 2019**

	Notes	27 December 2019		28 December 2018	
		£	£	£	£
Fixed assets					
Intangible assets	10	-	-	-	-
Tangible assets	11	6,448,550		7,075,856	
Investments	12	102		1,333	
		<u>6,448,652</u>		<u>7,077,189</u>	
Current assets					
Stocks	14	4,794,216		2,940,702	
Debtors	15	3,857,642		3,121,423	
Cash at bank and in hand		408,413		376,747	
		<u>9,060,271</u>		<u>6,438,872</u>	
Creditors: amounts falling due within one year	16	<u>(3,826,534)</u>		<u>(4,329,620)</u>	
Net current assets		5,233,737		2,109,252	
Total assets less current liabilities		<u>11,682,389</u>		<u>9,186,441</u>	
Creditors: amounts falling due after more than one year	17	(8,176,788)		(10,632,026)	
Provisions for liabilities	19	<u>(1,408,175)</u>		<u>-</u>	
Net assets/(liabilities)		<u><u>2,097,426</u></u>		<u><u>(1,445,585)</u></u>	
Capital and reserves					
Called up share capital	22	50,397		50,397	
Share premium account	23	111,914		111,914	
Profit and loss reserves	23	1,935,115		(1,607,896)	
Total equity		<u><u>2,097,426</u></u>		<u><u>(1,445,585)</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 11th JUNE
and are signed on its behalf by: 2021


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M J Sargent
Director

ALCO VALVES GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 27 DECEMBER 2019

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 30 December 2017	50,397	111,914	1,991,973	2,154,284
Period ended 28 December 2018:				
Loss for the period	-	-	(3,714,225)	(3,714,225)
Capital contribution	-	-	114,356	114,356
Balance at 28 December 2018	50,397	111,914	(1,607,896)	(1,445,585)
Period ended 27 December 2019:				
Profit 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

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27 DECEMBER 2019

1 Accounting policies

Company information

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

The company's principal activities are disclosed in the Strategic Report.

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, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

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. The principal accounting policies adopted are set out below.

Reporting period

The financial statements are drawn up for the 52 weeks to 27 December 2019 (the financial "year"). Comparative figures are for the 52 weeks to 28 December 2018.

Reduced disclosures

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 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- 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 Graco Inc.. These consolidated financial statements are available from its registered office, 88 - 11th Avenue Northeast, Minneapolis, MN 55413, USA.

Comparative adjustment

During the year the directors have considered the allocation of costs in the income statement. There has been a change in the allocation of costs to better reflect the operation of the company, as such the comparatives have been adjusted. Cost of sales has increased by £877,869, this is made up of a reallocation of all the distribution costs of £114,634 and the remainder is reallocated from administrative costs of £763,235. There has been no change in the reported operating loss for the prior year.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

1 Accounting policies (Continued)

Going concern

The company generated a profit for the year of £3,493,948 (2018 - incurred a loss £3,714,225), had net current assets of £5,233,737 (2018 - £2,109,252) and net assets of £2,097,426 (2018 - net liabilities of £1,445,585).

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 has resulted in a significant boost to working capital resources; £4,262,914 of the Graco 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.

The director has considered how the company will meet the challenges of the current economic climate and has carried out a review of the company's resources including the adequacy of working capital requirements for a period of at least twelve months from the date of approval of these financial statements.

As part of this review, the director has prepared trading and cashflow forecasts for the company which indicate that the company will have sufficient resources to meet its trading liabilities as they fall due. Thus, the director continues to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover comprises the value of sales (net of value added tax) of goods and services provided in the normal course of business.

Revenue is recognised in respect of service contracts when the company obtains the right to consideration. 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.

Other income

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

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.

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.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets, including capitalised research and development expenditure and patents, are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation 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:

Patents	10% straight line basis
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Tangible fixed assets

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

Depreciation is recognised on all tangible fixed assets, other than freehold land, so as to write off the cost of assets less their residual values over their useful lives on the following bases:

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

No depreciation is charged on freehold land.

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.

Assets under construction

Assets in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the asset to its operating condition. Depreciation commences when the assets are ready for their intended use.

Fixed asset investments

Interests in subsidiaries 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.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

1 Accounting policies (Continued)

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.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises all direct costs and an appropriate proportion of fixed and variable overheads. The basis of establishing cost is on a first in first out basis.

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 the Income Statement.

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 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 trade and other debtors, cash and bank balances and amounts owed by group undertakings, 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

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.

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.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

1 Accounting policies (Continued)

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 trade and other creditors, amounts owed to group undertakings and other borrowings, 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.

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

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of 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.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

1 Accounting policies (Continued)

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.

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.

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.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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.

Leases

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.

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.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 27 DECEMBER 2019

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

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. The director does not consider there to be any key sources of estimation uncertainty.

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. See note 15 for the net carrying amount of debtors.

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. See note 14 for the net carrying amount of the stock and no impairments have been made.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Manufacturing and supply of valves	8,535,814	7,373,170
	<u>8,535,814</u>	<u>7,373,170</u>
	2019	2018
	£	£
Other operating income		
Grants received	14,058	14,058
Management charge receivable	7,249,529	-
Other income	23,523	15,213
	<u>7,287,110</u>	<u>29,271</u>
	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	2,824,193	2,381,847
Rest of Europe	1,031,379	983,773
North America	777,737	862,622
Africa and Middle East	1,066,886	1,147,601
Asia-Pacific	2,585,163	1,995,318
South America	250,456	2,009
	<u>8,535,814</u>	<u>7,373,170</u>

4 Employees

The average monthly number of persons employed by the company during the year was:

	2019	2018
	Number	Number
Administration	74	64
Production	49	49
	<u>123</u>	<u>113</u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

4 Employees (Continued)

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	4,155,128	4,010,000
Social security costs	234,173	309,477
Pension costs	100,440	74,672
	<u>4,489,741</u>	<u>4,394,149</u>

Included within wages and salaries is an amount of £49,063 (2018 - £114,356) relating to share-based payment transactions.

No remuneration was paid to the directors in the current or preceding year for their services to the company.

5 Operating profit/(loss)

	2019	2018
	£	£
Operating profit/(loss) 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	45,089	26,453
Research and development costs	58,330	90,756
Government grants	(14,058)	(14,058)
Fees payable to the company's auditor for the audit of the company's financial statements	32,750	32,750
Depreciation of owned tangible fixed assets	684,780	652,971
Profit on disposal of tangible fixed assets	(5,000)	(1,944)
Impairment of stocks recognised or reversed	1,353,581	127,544
Share-based payments	49,063	114,356
Operating lease charges	102,864	86,817
	<u>1,353,581</u>	<u>127,544</u>

6 Interest receivable and similar income

	2019	2018
	£	£
Income from fixed asset investments		
Income from shares in group undertakings	1,673,005	-
	<u>1,673,005</u>	<u>-</u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

7 Interest payable and similar expenses

	2019	2018
	£	£
Interest on bank overdrafts and loans	-	1
Interest payable to group undertakings	462,849	598,725
	<u>462,849</u>	<u>598,726</u>

8 Other gains and losses

	2019	2018
	£	£
Profit on disposal of intellectual property including patents	2,299,369	-
	<u>2,299,369</u>	<u>-</u>

9 Taxation

	2019	2018
	£	£
Current tax		
Adjustments in respect of prior periods	41,442	12,251
Group tax relief	-	(678,094)
	<u>41,442</u>	<u>(665,843)</u>
Total current tax	<u>41,442</u>	<u>(665,843)</u>

The total tax charge/(credit) for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	2019	2018
	£	£
Profit/(loss) before taxation	3,535,390	(4,380,068)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	671,724	(832,213)
Tax effect of expenses that are not deductible in determining taxable profit	76,145	84,083
Tax effect of income not taxable in determining taxable profit	(317,871)	-
Change in unrecognised deferred tax assets	(384,735)	62,664
Adjustments in respect of prior years	41,442	12,251
Effect of change in corporation tax rate	(45,263)	7,372
	<u>41,442</u>	<u>(665,843)</u>
Taxation for the year	<u>41,442</u>	<u>(665,843)</u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

9 Taxation (Continued)

The company has tax losses amounting to £5,127,601 (2018 - £6,739,925) carried forward against future trading profits.

The Finance Act 2016 introduced a reduction in the corporation tax rate to 17% from 1 April 2020, which was substantively enacted on 15 September 2016, however, in his Budget in March 2020, the Chancellor announced that the rate of corporation tax would remain at 19% rather than the rate of 17%.

10 Intangible fixed assets

	Patents £
Cost	
At 29 December 2018	457,000
Disposals	(457,000)
	<hr/>
At 27 December 2019	-
	<hr/>
Amortisation and impairment	
At 29 December 2018	457,000
Disposals	(457,000)
	<hr/>
At 27 December 2019	-
	<hr/>
Carrying amount	
At 27 December 2019	-
	<hr/> <hr/>
At 28 December 2018	-
	<hr/> <hr/>

There are no contractual commitments to acquire intangible assets (2018 - £nil).

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

11 Tangible fixed assets

	Freehold land and buildings	Assets under construction	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 29 December 2018	5,822,021	47,011	2,680,481	186,840	41,373	8,777,726
Additions	-	-	37,135	20,339	-	57,474
Disposals	-	-	-	-	(26,012)	(26,012)
Transfer	-	(39,511)	39,511	-	-	-
At 27 December 2019	5,822,021	7,500	2,757,127	207,179	15,361	8,809,188
Depreciation and impairment						
At 29 December 2018	712,584	-	792,849	155,064	41,373	1,701,870
Depreciation charged in the year	381,159	-	277,150	26,471	-	684,780
Eliminated in respect of disposals	-	-	-	-	(26,012)	(26,012)
At 27 December 2019	1,093,743	-	1,069,999	181,535	15,361	2,360,638
Carrying amount						
At 27 December 2019	4,728,278	7,500	1,687,128	25,644	-	6,448,550
At 28 December 2018	5,109,437	47,011	1,887,632	31,776	-	7,075,856

12 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	13	102	1,333

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

12 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 29 December 2018 & 27 December 2019	1,333
Impairment	
At 29 December 2018	-
Impairment losses	1,231
At 27 December 2019	1,231
Carrying amount	
At 27 December 2019	102
At 28 December 2018	1,333

13 Subsidiaries

These financial statements are separate company financial statements for Alco Valves Group Limited. Details of the company's subsidiaries at 27 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Alco Components Limited	Gooder Lane, Brighthouse, HD6 1HB, United Kingdom	Dormant	Ordinary	100.00	-
Alco Valves Singapore PTE Limited	4 Battery Road, #25-01, 029908, Singapore	Non-trading	Ordinary	100.00	-
Alco Valves US Inc.	11275 West Sam Houston Pkwy, Suite 175, Houston, Texas 77031, United States of America	Non-trading	Ordinary	50.03	49.97

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

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 27 DECEMBER 2019

14 Stocks

	2019	2018
	£	£
Raw materials and consumables	676,967	1,601,699
Work in progress	2,969,381	648,603
Finished goods and goods for resale	1,147,868	690,400
	<u>4,794,216</u>	<u>2,940,702</u>

During the year, an impairment loss on stocks of £1,353,581 (2018 - £127,544) was recognised within cost of sales. No stock write downs have been reversed in either the current or preceding year.

15 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	2,153,014	2,028,874
Corporation tax recoverable	63,313	21,898
Amounts owed by group undertakings	1,114,156	795,736
Other debtors	392,454	115,925
Prepayments and accrued income	134,705	158,990
	<u>3,857,642</u>	<u>3,121,423</u>

At 27 December 2019, the company recognised a provision of £347,142 (2018 - £329,357) against trade debtors in respect of bad and doubtful debts.

16 Creditors: amounts falling due within one year

	2019	2018
	£	£
	Notes	
Other borrowings	18	37,579
Trade creditors		852,656
Amounts owed to group undertakings		1,437,802
Taxation and social security		572,922
Government grants	20	1,124,233
Other creditors		109,946
Accruals and deferred income		113,370
		14,058
		37,179
		1,617,048
		<u>3,826,534</u>
		<u>4,329,620</u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

17 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Other borrowings	18	8,091,620	10,532,800
Government grants	20	85,168	99,226
		<u>8,176,788</u>	<u>10,632,026</u>

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	8,091,620	10,532,800
	<u>8,091,620</u>	<u>10,532,800</u>

18 Borrowings

	2019 £	2018 £
Loans from group undertakings	8,129,199	11,385,456
Payable within one year	37,579	852,656
Payable after one year	8,091,620	10,532,800
	<u>8,129,199</u>	<u>11,385,456</u>

The intercompany loan of £8,091,620 is repayable by 19 February 2029. An interest rate of 4.5% is accrued on the unpaid balance of the principal amount and is to be set annually. Interest is payable on a quarterly basis. Interest of £37,579 (2018 - £852,656) was payable at the year end.

A debenture dated 5 May 2010 for securing all monies due or to become due from the company to Lloyds Bank PLC was registered on the 6 May 2010. An amount of £16,927 has been pledged as security for the bank guarantees and performance bonds.

19 Provisions for liabilities

	2019 £	2018 £
Liquidated damages provision	154,000	-
Contract losses provision	1,254,175	-
	<u>1,408,175</u>	<u>-</u>

Movements on provisions:

	Liquidated damages provision £	Contract losses provision £	Total £
Additional provisions in the year	<u>154,000</u>	<u>1,254,175</u>	<u>1,408,175</u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

19 Provisions for liabilities (Continued)

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.

20 Government grants

	2019 £	2018 £
Arising from government grants	99,226	113,284
Deferred income is included in the financial statements as follows:		
Current liabilities	14,058	14,058
Non-current liabilities	85,168	99,226
	99,226	113,284

On 12 April 2016 and 14 August 2017 the company received grants of £126,522 and £14,058 respectively from the Leeds City Region Enterprise Partnership which covered part of the cost of a renovation of a new business site. The grants are conditional upon the creation of 22 full-time jobs and 3 apprenticeships over a 3 year period which must be maintained for 5 years. The grants will be released over the useful economic life of the assets to which it relates. During the year, £14,058 (2018 - £14,058) has been released as income in the Income Statement.

21 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	100,440	74,672

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.

At the year end amounts totalling £11,681 (2018 - £7,111) were outstanding and included within other creditors.

22 Share capital

	2019 Number	2018 Number	2019 £	2018 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 10p each	503,970	503,970	50,397	50,397

The company's Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

23 Reserves

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.

Profit and loss reserves

Cumulative profit and loss net of distribution and capital contributions in respect of share-based payments.

24 Contingent liabilities

During the acquisition of the business there was some uncertainty as to whether the property had been "Opted to Tax" and whether VAT should have therefore been chargeable on the sale thereof (giving rise to either a recoverable £900,000 of VAT being charged upon the sale or a smaller liability of circa £600,000 under the Capital Goods Scheme). The director does not consider that a liability will crystallise in this regard but notes it in these accounts for completeness whilst investigations continue.

25 Operating lease commitments

Lessee

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

	2019	2018
	£	£
Within one year	-	22,538
Between two and five years	-	21,287
	<u>-</u>	<u>43,825</u>
	<u>-</u>	<u>43,825</u>

ALCO VALVES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 DECEMBER 2019

26 Events after the reporting date

On 10 July 2020, the company was sold by Graco group to Alco Valves Holdings Limited. The business moved to new premises in January 2021, the company's freehold land and buildings having been sold back to Graco group.

The sale of the business generated significant positive cash flows, as funds previously loaned into the business by Graco group to fund working capital on loss-making contracts were either reassigned to Alco Valves Holdings Limited or written off. Graco group liabilities totalling £8,762,914 were satisfied or reassigned as a result of the sale, with £4,262,914 of the original loan being assigned to Alco Valves Holdings Limited. This loan was subsequently reassigned by Alco Valves Holdings Limited 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.

Following the acquisition on 10 July 2020 a significant restructuring of the business took place. Headcount was significantly reduced, with the removal of the Graco group management structure alone saving the business £750k per annum. The director identified that there had been significant investment in plant and equipment but that the strategy for the business going forward meant that much of this was surplus to requirements. These assets were sold generating cashflow to the business of £693,068 without any significant impact on operating capacity.

Prior to Graco group's ownership the business had been operated through numerous separate entities to enable product sector performance to be managed more easily and a decision was taken to revert to this approach. During November 2020 and December 2020 three new entities commenced trading and the bulk of the staff from the company were transferred to these entities. The company provides stock to these entities and is entitled to a profit share from each of them.

27 Parent company

During the year, the company was a wholly owned subsidiary of Graco BVBA, a company incorporated in Belgium.

During the year, the ultimate parent company was Graco Inc., a company incorporated in the USA. Graco Inc. was the only parent undertaking to produce consolidated financial statements which include Alco Valves Group Limited for the year. The Graco Inc.'s financial statements can be obtained from its registered office, 88 - 11th Avenue Northeast, Minneapolis, MN 55413, USA.

On 10 July 2020, the company was sold by the Graco group to Alco Valves Holdings Limited which became the immediate and ultimate parent company of Alco Valves Group Limited. The registered office address of Alco Valves Holdings Limited is 63 Chichester Enterprise Centre, Terminus Road, Chichester, West Sussex, PO19 8TX. Alco Valves Holdings Limited is controlled by M J Sargent by virtue of his 100% shareholding in the company.