

COMPANY REGISTRATION NUMBER: 00457812

Banham Patent Locks Limited
Financial Statements
31 December 2019



Banham Patent Locks Limited

Financial Statements

Year ended 31 December 2019

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Banham Patent Locks Limited

Officers and Professional Advisers

The board of directors

M A Herbert
B E Cowper
L A F Banham
C M Banham
L Q Banham
C R Hallatt
T J Ward
M J Hallatt
P A Rodda
F L Banham
TH Hallatt (Appointed 8 May 2019)

Registered office

20 Thornsett Road
London
SW18 4EF

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Banham Patent Locks Limited

Strategic Report

Year ended 31 December 2019

The directors present the Strategic Report together with the Directors' report and audited financial statements for the year ended 31 December 2019.

Principal activities, trading review and future developments

The principal activity of the company is that of burglary prevention specialists.

Despite an increase in administrative expenditure caused by the increased expenditure in advertising and rising payroll costs, the company has once again been profitable. The company's financial position has been further strengthened as a result, with a profit for the year of £1,971,024 (2018: £1,419,296).

The directors consider that the company traded satisfactorily during the period. Turnover has increased by 5.6% to £29,172,199 with the introduction of several growing revenue streams.

With a strong asset base and in particular cash of £5.26m, the company has a strong foundation on which to defend and grow its market share, innovate in new products and technologies and take advantage of strategic opportunities as they arise.

The security and burglary prevention market is, like the wider economy, subject to changes in technology and is also subject to certain level of domestic and global uncertainty. However, as a market leader, the directors consider the group to be well positioned to take measures to mitigate market risks and respond positively to market opportunities.

Since the year-end, due to the global impact of the Coronavirus (Covid-19) pandemic, trading has been somewhat impacted and, to some extent the value of investments, assets and liabilities may have been impacted. It is not possible, at this time, to quantify the change in market value in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable. The board are reviewing the impact of the pandemic on the operations of the company on a regular basis and are taking measures to ensure the risks faced are mitigated, which includes utilising the Government support measures.

Further details with regard to the impact of Covid-19 and the Board's considerations with regard to their ongoing use of the going concern basis of preparation for these financial statements is given in note 3.

Section 172 statement

The Directors, in line with their duties under s172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its member, and in doing so have regard amongst other matters, to the:

- Likely consequences of any long-term decisions, interests and wellbeing of the company's employees.
- Need to foster the company's business relationships with suppliers, customers and others
- Impact of the company's operations on the community and the environment.
- Desirability of the company maintaining a reputation for high standards of business conduct.
- Need to act fairly between all members of the company.

The Directors' regard to these matters is embedded in their decision-making process and the Board promotes a culture of upholding the highest standard of business conduct and regulatory conduct. The Board ensures these core values are communicated to the Company's employees and embedded in the Company's policies and procedures, employee induction and training programmes and its risk control and oversight framework.

The Company's business strategy is focused on achieving success for the Company in the long term. In setting this strategy, the Board considers the impact of relevant factors and stakeholder interests on the Company's performance. The Board also identifies principal risks facing the business and sets risk management objectives.

Banham Patent Locks Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Section 172 statement (continued)

The Board recognizes that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate a sustainable business.

The Directors are supported in the discharge of their duties by:

- An Executive Leadership Programme with assistance from Pareto to further their understanding of their duties and obligations under applicable law and regulation
- Processes which ensure the provision of timely management information and escalation through reporting lines to the Board from the Company's business areas, its risk and control functions, support teams and committees of the Board
- Agenda planning for the Board and Committee meetings to provide sufficient time for the consideration and discussion of key matters. Our Chairman, with the assistance of the Company Secretary, sets the agenda for each Board meeting to ensure that the requirements of section 172 are always met.
- Regular review of policies with regard to corporate responsibility, including business ethics, ISO compliance (where relevant), anti-bribery, anti-corruption, whistleblowing, equal opportunities, human rights, environmental stewardship and use of resources, sustainable solutions, greenhouse gas emissions and energy management, investing in our local communities and our commitment to the armed forces.

Stakeholders

The Board understands the importance of engagement with all of its stakeholders and gives appropriate weighing to the outcome of its decisions for the relevant stakeholder in weighing up how best to promote the success of the Company.

The Board regularly discusses issues concerning employees, clients, suppliers, community and environment, regulators and its shareholder, which it takes into account in its discussions and in its decision-making process. In addition to this, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly when required. The below summarises the key stakeholders and how we engage with each. Details with regard to employee engagement are provided within the Directors' report.

Our extensive Client base is at the centre of our business.

Our client service and sales teams build lasting relationships with current and potential clients to understand their objectives and requirements. We are in regular contact with clients to meet their security and service requirements. We operate a robust framework for the oversight of the provision of the Company's products and services to our clients. We take a proactive approach with clients especially those who have ongoing contracts.

As a diverse business, we work with a wide range of suppliers, mainly in the UK. We remain committed to being fair and transparent in our dealings with all of our suppliers and recognize the valuable contribution they make to the smooth running of our business and have regular meetings with all of our main suppliers.

The Company has procedures requiring due diligence of suppliers as to their internal governance, including for example GDPR, anti-bribery and corruption practices, data protection policies and modern slavery matters.

The Company has systems and processes in place to ensure suppliers are paid in a timely manner and have a very proud record in this respect.

Banham Patent Locks Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Section 172 statement (continued)

Community and Environment

The Board's approach to social responsibility, diversity and the community is of high importance. Corporate social responsibility principles are part of our culture and decision-making process. We take a consultative approach focused on building long term relationships and solving business problems. We are ISO 50001 registered and also have a dedicated Charitable Foundation to underpin this.

The Board continues to commit and broaden the company's work and associations with local charitable organisations, involving local schools, mentoring programmes and homeless projects through the Banham Charitable Foundation.

We work with our regulators including NSI, SIA and the government in an open and proactive manner to help develop regulations that meet the needs of all our stakeholders.

We have a risk and control framework and monthly CEDRIC reports to ensure that the Company complies with all legal and regulatory requirements relating to the provision of products and services to our clients.

As a proud family business, the Board also seeks to behave in a responsible manner towards all shareholders. The Board communicates information relevant to its shareholder, such as its financial reporting.

Key decisions during 2019

2019 was a year of relative stability and on reflection, no key decisions reportable within this section were made.

2019 saw no significant product launches on account of a focus on establishing new products and services launched in the prior year. In particular, the business continued to focus on providing its customers with improved internet retail functionality; supplying the market with locks that meet the highest standards of fire safety regulations; and were focused on upgrading internal systems with the implementation of Sage X3 ERP.

Equally, the company made no strategic corporate acquisitions in the year. The Board sanctioned an ongoing investigation into potential acquisition targets, along with consideration of acquisition opportunities arising. However, no acquisitions were concluded or otherwise committed to. Where suitable targets are identified, shareholder approval will be appropriately considered, as will appropriate regulatory requirements. With corporate acquisitions, the impact on existing and future company employees are considered.

Key performance indicators

The directors consider revenue, gross profit margins (2019 - 45.4%, 2018 - 43.02%) and operating profit margins (2019 – 7.71%, 2018 - 6.24%) to be the key performance indicators which it monitors on a regular basis.

Net profit margin increased in the year with the successful implementation and management of the Sales Development team and the maturing of several important growing revenue streams.

The company performed satisfactorily in all key areas and anticipates this will continue next year.

Banham Patent Locks Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Financial risk

The main financial risk from the company's activities is credit risk. The company's policy in respect of credit risk is to require appropriate credit checks on significant customers.

The exposure to interest rate risk, liquidity and cash flow risk is minimal as the company has significant cash balances and no borrowings.

The company has relatively little exposure to credit risk as all deposits were held as treasury Deposits through British clearing banks, and the company is debt free.

This report was approved by the board of directors on 17 December 2020 and signed on behalf of the board by:



T J Ward
Director

Registered office:
20 Thornsett Road
London
SW18 4EF

Banham Patent Locks Limited

Directors' Report

Year ended 31 December 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Directors

The directors who served the company during the year were as follows:

M A Herbert
B E Cowper
L A F Banham
C M Banham
L Q Banham
C R Hallatt
T J Ward
M J Hallatt
P A Rodda
F L Banham
TH Hallatt

(Appointed 8 May 2019)

Dividends

An interim dividend in the sum of £1,353,318 has been paid. The directors do not recommend the payment of a final dividend.

Employment of disabled persons

In line with the Equality Act 2010, it is Company policy not to discriminate against persons whether in, or applying for, employment, who have the protected characteristic of disability. The principles, responsibilities, and steps to be taken are outlined in the Companies Equal Opportunities Policy

Employee engagement

The Company is an equal opportunity employer and is fully committed to a policy of treating all of its employees and job applicants equally. The Company takes all reasonable steps to employ, train and promote employees on the basis of their experience, abilities and qualifications without regard to race, nationality, religion or belief, gender, sexual orientation, age, marital status or disability. The Company also takes all reasonable steps to provide a work environment in which all employees are treated with respect and dignity and that is free of harassment based upon any form of discrimination.

The Board considers it important that employees are kept informed about both the financial and operational performance of the Company, factors impacting the wider industry and more general employment related matters. Employees are communicated with in a number of formats depending on the communication, this will include emails, team meetings, overall company wide meetings and where appropriate as inclusions or changes to the Employee Handbook.

Our employees contribute to a positive working culture and healthy working environment. Employees are key to the success of our business. In addition to aiming to be a responsible employer in our approach to pay and benefits, we continue to engage with our team to ascertain which training and development opportunities should be made available to improve our team's productivity and our individual employees' potential within the business.

We continually invest in employee development and wellbeing to create and encourage an inclusive culture within the organisation.

Banham Patent Locks Limited

Directors' Report *(continued)*

Year ended 31 December 2019

Employee engagement (continued)

Our culture invites different perspectives, new ideas and opportunities for growth. We work hard to ensure our employees feel welcome and are valued and recognised for their hard work. Employees have access to a range of resources that offer connection points for networking and community engagement. One such project is The Banham Marsden March which is an annual fundraising event supported and sponsored by the Company to encourage participation and integration among employees and Directors. Employees have regular team meetings with their managers, where they have opportunity to give feedback. Managers of the various areas of the business have regular meetings with the Executive team to review performance and to both give and receive feedback. Communication around changes to peoples working environment are done either via team meetings or if required, on a one to one basis with the Employee and one of the Executive team.

Disclosure of information in the strategic report

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 regarding the business review and the principal risks and uncertainties.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report, and the financial statements in accordance with applicable law and regulations.

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Banham Patent Locks Limited

Directors' Report *(continued)*

Year ended 31 December 2019

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 17 December 2020 and signed on behalf of the board by:



T J Ward
Director

Registered office:
20 Thornsett Road
London
SW18 4EF

Banham Patent Locks Limited

Independent Auditor's Report to the Members of Banham Patent Locks Limited

Year ended 31 December 2019

Qualified Opinion

We have audited the financial statements of Banham Patent Locks Limited for the year ended 31 December 2019 which comprise the statement of income and retained earnings, statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

Due to practical limitations with regard to the counting of stock held in certain locations as at the year end and the interruption of alternative procedures being brought about by the impact of government imposed COVID-19 social distancing measures, we were unable to satisfy ourselves concerning inventory quantities held as at 31 December 2019 with a reported value in the financial statements of £482,781. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Banham Patent Locks Limited

Independent Auditor's Report to the Members of Banham Patent Locks Limited (continued)

Year ended 31 December 2019

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of 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 report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves of the inventory quantities with a book value of £482,781 held as at 31 December 2019. We have concluded that where the other information refers to related balances such as gross profit margin, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

Arising solely from the limitation of scope of our work relating to a certain class of inventory referred to above:

- 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 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 the returns; or
- certain disclosures of Directors remuneration specified by law are not made.

Banham Patent Locks Limited

Independent Auditor's Report to the Members of Banham Patent Locks Limited (continued)

Year ended 31 December 2019

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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.

BDO LLP..

Ian Clayden (Senior Statutory Auditor)

For and on behalf of
BDO LLP, Statutory Auditor
London
United Kingdom

18 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Banham Patent Locks Limited
Statement of Income and Retained Earnings
Year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	29,172,199	27,627,882
Cost of sales		<u>15,929,568</u>	<u>15,743,221</u>
Gross profit		13,242,631	11,884,661
Distribution costs		<u>1,166,211</u>	<u>1,148,136</u>
Administrative expenses		<u>9,825,936</u>	<u>9,011,948</u>
Operating profit	5	2,250,484	1,724,577
Interest receivable	9	<u>16,040</u>	<u>14,085</u>
Profit before taxation		2,266,524	1,738,662
Taxation on ordinary activities	10	<u>295,500</u>	<u>319,366</u>
Profit for the financial year and total comprehensive income		<u>1,971,024</u>	<u>1,419,296</u>
Dividends paid and payable	11	(1,353,318)	(1,307,443)
Retained earnings at the start of the year		2,725,776	2,613,923
Retained earnings at the end of the year		<u>3,343,482</u>	<u>2,725,776</u>

All the activities of the company are from continuing operations.

The notes on pages 16 to 27 form part of these financial statements.

Banham Patent Locks Limited

Statement of Financial Position

31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	695,549	553,900
Tangible assets	13	2,022,829	1,763,244
Investments	14	3,361,717	3,362,617
		<u>6,080,095</u>	<u>5,679,761</u>
Current assets			
Stocks	15	4,032,267	3,450,403
Debtors	16	12,058,679	13,581,813
Cash at bank and in hand		5,260,600	3,709,427
		<u>21,351,546</u>	<u>20,741,643</u>
Creditors: amounts falling due within one year	17	24,080,845	23,688,314
Net current liabilities		<u>(2,729,299)</u>	<u>(2,946,671)</u>
Total assets less current liabilities		<u>3,350,796</u>	<u>2,733,090</u>
Net assets		<u>3,350,796</u>	<u>2,733,090</u>
Capital and reserves			
Called up share capital	20	5,734	5,734
Capital redemption reserve	21	1,580	1,580
Profit and loss account	21	3,343,482	2,725,776
Shareholders funds		<u>3,350,796</u>	<u>2,733,090</u>

These financial statements were approved by the board of directors and authorised for issue on 17 December 2020, and are signed on behalf of the board by:



T J Ward
Director

Company registration number: 00457812

The notes on pages 16 to 27 form part of these financial statements.

Banham Patent Locks Limited

Notes to the Financial Statements

Year ended 31 December 2019

1. General information

The company is a private company limited by shares registered in England and Wales. The address of the registered office is 20 Thornsett Road, London SW18 4EF. The nature of the company's operation and principal activity are set out in the strategic report.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

On 30 January 2020, the World Health Organisation (WHO) announced a global health emergency because of the Covid-19 coronavirus. In March 2020, the WHO declared the Covid-19 outbreak a pandemic. Shortly afterwards the UK Government imposed social distancing "lockdown" measures followed by a phased relaxation of certain measures from mid-June 2020 until a further national lockdown for one month from 4 November 2020.

In preparing the financial statements, the directors have considered existing and available financial resources and various trading scenarios for not less than 12 months from the date of approval of these financial statements. In light of the company's trading performance since the outbreak of Covid-19, reasonable expectations of the future impact of the pandemic and the sufficiency of available cash resources within the Company and Group, the directors have concluded that it remains appropriate to continue to prepare these financial statements on the going concern basis.

These financial statements do not include adjustments that would be required were the company not considered a going concern.

Group accounts and related parties

The company is a wholly owned subsidiary of Banham Patent Locks Holdings Limited. The company is included in the consolidated financial statements of Banham Patent Locks Holdings Limited.

The financial statements contain information about the company as an individual company and so do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

- the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d). No cash flow statement has been presented for the company.

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Dividends

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

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Revenue recognition

Revenue from the sales of goods is recognised when the group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the group will receive the previously agreed upon payment. These criteria are considered to be met when the goods or services are delivered to the buyer.

Fees received in advance for goods or services including subscriptions are deferred and credited to revenue when the goods are transferred or on a time-apportionment basis for services provided.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Income tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

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

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

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Customer Relationships	-	Over useful economic life of 10 years
IT Software	-	Over useful economic life of 5 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

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

Costs of replacing items of fixed assets are capitalised when they are expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit and loss during the period in which they are incurred.

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 10% - 20% reducing balance
Motor vehicles	- 25% reducing balance
Alterations to buildings	- 20% reducing balance

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Financial Assets

Financial assets, other than investments and derivatives are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instruments contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

Pension

Contributions to the group's defined contribution pension scheme are charged to profit and loss in the year in which they become payable.

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

Determine whether there are indicators of impairment of the company's tangible assets and intangible assets and investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Determine whether there are indicators of impairment of the company's trade receivables and the determination of the level of impairment provisions. Factors taken into consideration in reaching such a decision include a review of payment history, ongoing correspondence and corrective action available to the company.

Other key sources of estimation uncertainty include:

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

Turnover arises from:

	2019 £	2018 £
Goods and services relating to burglary prevention	<u>29,172,199</u>	<u>27,627,882</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2019 £	2018 £
Amortisation of intangible assets	148,981	122,967
Depreciation of tangible assets	483,907	426,166
Gains on disposal of tangible assets	(16,374)	(11,905)
Impairment of trade debtors	78,295	189,466
Operating lease rentals	87,000	87,000
Foreign exchange differences	<u>(2,449)</u>	<u>—</u>

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

6. Auditor's remuneration

	2019 £	2018 £
Fees payable for the audit of the financial statements	<u>96,600</u>	<u>65,005</u>

7. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019 No.	2018 No.
Fitters/operatives	169	150
Surveyors	16	17
Administration	128	107
Directors	10	10
	<u>323</u>	<u>284</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019 £	2018 £
Wages and salaries	13,364,878	12,128,649
Social security costs	1,494,187	1,281,415
Other pension costs	418,655	324,544
	<u>15,277,720</u>	<u>13,734,608</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019 £	2018 £
Remuneration	<u>2,152,300</u>	<u>1,391,795</u>

Remuneration of the highest paid director in respect of qualifying services:

	2019 £	2018 £
Aggregate remuneration	<u>496,020</u>	<u>496,020</u>

Director's pension contribution in the year was £126,557 (2018: £27,986)

9. Interest receivable

	2019 £	2018 £
Interest on cash and cash equivalents	<u>16,040</u>	<u>14,085</u>

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

10. Taxation on ordinary activities

Major components of tax expense

	2019 £	2018 £
Current tax:		
UK current tax expense	295,500	319,366
Total current tax	<u>295,500</u>	<u>319,366</u>
Taxation on ordinary activities	<u>295,500</u>	<u>319,366</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year differs to the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	2,266,524	1,738,662
Profit on ordinary activities by rate of tax	430,640	330,346
Effect of expenses not deductible for tax purposes	(517)	9,161
Fixed assets differences	(134,623)	(17,865)
Patent Box allowance	-	(2,276)
Tax on profit	<u>295,500</u>	<u>319,366</u>

11. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2019 £	2018 £
Dividends on equity shares	<u>1,353,318</u>	<u>1,307,443</u>

Interim dividends paid at £11.80 per share (2018 - £11.40) per share.

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

12. Intangible assets

	Customer relationships £	Software £	Total £
Cost			
At 1 January 2019	563,580	300,329	863,909
Additions	—	290,630	290,630
Transfers	—	—	—
At 31 December 2019	563,580	590,959	1,154,539
Amortisation			
At 1 January 2019	310,009	—	310,009
Charge for the year	56,358	92,623	148,981
Transfers	—	—	—
At 31 December 2019	366,367	92,623	458,990
Carrying amount			
At 31 December 2019	197,213	498,336	695,549
At 31 December 2018	253,571	300,329	553,900

13. Tangible assets

	Plant and machinery £	Motor vehicles £	Improvement to buildings £	Total £
Cost				
At 1 January 2019	1,041,868	2,132,660	832,499	4,007,027
Additions	120,596	739,088	—	859,684
Disposals	—	(511,803)	—	(511,803)
At 31 December 2019	1,162,464	2,359,945	832,499	4,354,908
Depreciation				
At 1 January 2019	396,796	1,101,581	745,406	2,243,783
Charge for the year	122,068	344,420	17,419	483,907
Disposals	—	(395,611)	—	(395,611)
Transfers	—	—	—	—
At 31 December 2019	518,864	1,050,390	762,825	2,332,079
Carrying amount				
At 31 December 2019	643,600	1,309,555	69,674	2,022,829
At 31 December 2018	645,072	1,031,079	87,093	1,763,244

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

14. Investments

	Shares in group undertakings £
Cost	
At 1 January 2019 and 31 December 2019	<u>3,361,717</u>
Impairment	
At 1 January 2019 and 31 December 2019	<u>-</u>
Carrying amount	
At 31 December 2019	<u>3,361,717</u>

List of subsidiaries

	Activity	Country of Incorporation	% Ownership
Aegis Alarms Systems Limited	Security	England	100
Banham Academy Limited	Training	England	85
Banham Alarms Limited	Dormant	England	100
Bridger Alarms Limited	Security	England	90
Capstan Security Limited	Security	England	100
Close Link Security Limited	Security	England	70
CMS Keyholding Limited	Keyholding and central station facility	England	100
Complete Security (Essex)Ltd	Security	England	85
GSM Security Limited	Security	England	90
Security 201 Limited	Security	England	90
Tara Security Limited	Security	England	100

Operations are based in country of incorporation. The registered offices of all subsidiaries are the same as the company.

15. Stocks

	2019 £	2018 £
Finished goods	<u>4,032,267</u>	<u>3,450,403</u>

16. Debtors

	2019 £	2018 £
Trade debtors	5,368,737	5,963,568
Amounts owed by group undertakings	1,311,358	1,981,221
Other debtors	19,267	68,871
Other debtors – related parties	4,711,460	4,647,019
Prepayments and accrued income	647,857	921,134
	<u>12,058,679</u>	<u>13,581,813</u>

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

17. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,330,181	949,827
Amounts owed to group undertakings	12,135,351	12,002,023
Accruals and deferred income	4,758,650	4,824,247
Corporation tax	537,754	410,432
Social security and other taxes	870,863	949,492
Other creditors	4,448,046	4,552,293
	<u>24,080,845</u>	<u>23,688,314</u>

Deferred tax liabilities relate to accelerated capital allowances.

18. Employee benefits

Defined contribution pension plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £508,730 (2018: £296,558).

19. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2019 £	2018 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>16,772,241</u>	<u>17,291,241</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>22,672,228</u>	<u>22,328,390</u>

Financial assets measured at amortised cost comprise cash, trade and other debtors, accrued income and amounts due from group undertakings. Financial liabilities measured at amortised cost comprise trade and other creditors, accruals and amounts due to group undertakings.

20. Called up share capital

Authorised share capital

	2019		2018	
	No.	£	No.	£
Ordinary shares of £0.05 each	<u>114,688</u>	<u>5,734</u>	<u>114,688</u>	<u>5,734</u>

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £0.05 each	<u>114,688</u>	<u>5,734</u>	<u>114,688</u>	<u>5,734</u>

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

21. Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments
- Capital redemption reserve represents the amount transferred from share capital on redemption of shares

22. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£	£
Not later than 1 year	87,000	87,000
Later than 1 year and not later than 5 years	348,000	348,000
Later than 5 years	174,000	261,000
	<u>609,000</u>	<u>696,000</u>

23. Related party transactions

Under FRS 102 paragraph 33.9 the company is required to disclose details of material transactions between itself and related parties. The company has taken advantage of exemptions under FRS 102 paragraph 33.11 not to disclose transactions with members of the group headed by Banham Patent Locks Holdings Limited on the grounds where all of the voting rights in the company are controlled within the group and the company is included in the consolidated financial statements of Banham Patent Locks Holdings Limited.

The company has a 70% interest in Close Link Security Limited. The balance owed to Banham Patent Locks Limited at the year end is £262,677 (2018 - £256,174).

The company has a 85% interest in Complete Security (Essex) Limited. Management charges of £71,149 (2018 - £67,240) have been made to Complete Security (Essex) Limited and the balance owed to Banham Patent Locks Limited at the year end is £26,851 (2018 - £51,015).

The company has a 100% interest in CMS Keyholding Limited. Management charges of £369,840 (2018 - £362,405) have been made to CMS Keyholding Limited and the balance owed to CMS Keyholding Limited at the year end was £8,807,191 (2018 - £10,480,000).

The company has a 90% interest in Security 201 Limited. Management charges of £102,553 (2018 - £80,190) have been made to Security 201 Limited and the balance owed to Banham Patent Locks Limited at the year end is £542,822 (2018 - £491,041).

The company has a 100% interest in Capstan Security Limited. Management charges of £443,974 (2018: £382,836) have been made to Capstan Security Limited. At the year end, the group also owed £2,839,432 (2018: £947,365) to Capstan Security Limited.

Banham Patent Locks Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

23. Related party transactions *(continued)*

During the year, Banham Security Limited, a company under common control, was charged management fees of £101,275 (2018 - £120,253) by the company. At the year end, the group was owed £4,683,617 (2018: £4,505,188) by Banham Security Limited.

The company was charged rent of £800,000 (2018 - £800,000) by Banham Security Holdings Limited, a company under common control. At the year end the group was owed £46,593 (2018 - £141,831) by Banham Security Holdings Limited.

At 31st December 2019, the outstanding balance of salary advances made to directors amounted to £NIL (2018 - £NIL).

24. Controlling party

The directors regard Banham Patent Locks Holdings Limited, a company registered in England and Wales, to be the immediate ultimate parent company and hence the parent of both the smallest and largest groups of which the company is a member. Copies of the parent's consolidated financial statements may be obtained from the registered office of the company.

25. Post balance sheet events

Subsequent to the year end, and as discussed in note 3 to these financial statements: Basis of preparation – Going concern, the onset of the Covid-19 pandemic has had an impact on the company, group and wider UK economy.

In accordance with FRS 102, this is considered to be a non-adjusting event after the end of the reporting period that is not indicative of conditions that existed at the end of the reporting period.

The board has considered the existence of material impacts on assets and liabilities of the business as reported as at the balance sheet date. In general, core operating assets are considered not to be subject to material impairments as a result of COVID-19.