Registered No SC081670

Clarke UK Limited

Report and Financial Statements

31 December 2007

Registered No SCO81670

Directors
D Petrie
J Blackwood

Secretary
P Loebig

Auditors
Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Solicitors
Dundas & Wilson
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Bankers
The Royal Bank of Scotland plc
37 High Street
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Unit 1
Grange Works
Lomond Road
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ML5 2NN

Directors' report

The dırectors present theır report and financıal statements for the year ended 31 December 2007

Results and dividends

The profit for the year, after taxatıon, amounted to £1,150,902 (2006 £906,446) The dırectors do not recommend a dıvıdend be paıd (2006 – £nıl) leavıng a balance of £1,150,902 to be transferred to reserves

Prıncıpal actıvıty, review of the busıness and future developments

The prıncıpal actıvıtıes of the company throughout the year were to provıde dıesel engınes to the ındustrıal sprınkler and commercıal sectors It has also undertaken to supply a more varıed product specıficatıon whıch led to a growth ın the busıness worldwıde

In 2007 we managed to grow our core dıesel engıne busıness wıthın the Global Fıre Pump Markets Busıness for Lısted and Non Lısted Product

We are hopeful that the trend wıll contınue ın 2008 despıte competıtıon enterıng the market place wıth new product ranges

In lıne wıth our own aggressıve marketıng strategy we are ourselves lookıng to add to our exıstıng engıne range ın an effort to keep one step ahead of the competıtıon

The Board of Dırectors whılst pleased wıth the financıal results for the year are lookıng for the UK operatıon to work closely wıth our maın lıne supplıers ın 2008 wıth a target to reduce our stock holdıng levels Thıs, ın turn, wıll make us more effıcıent whıch wıll have a posıtıve ımpact on our cash flow and ultımately provıde hıgher levels of profitabılıty

Dırectors

The dırectors durıng the year were as follows

D Petrıe
J Blackwood

Financial rısk management

The company's financıal rısk management polıcıes are determıned by the company's ultımate parent undertakıng Clarke Power Servıces Inc The company's prıncıpal financıal ınstruments comprıse cash, short term deposıts and/or borrowıngs, the maın purpose of whıch ıs to provıde finance for ıts normal tradıng operatıons The company has varıous other financıal ınstruments such as trade debtors and credıtors that arıse dırectly from ıts tradıng operatıons

The maın rısks arısıng from the company's financıal ınstruments are lıquıdıty and foreıgn currency rısks The company has clear polıcıes for managıng each of these rısks

Competıtıve rısks

The company ıs at rısk from aggressıve prıcıng and goods delıvery strategıes from ıts competıtors The company ıs focused on cost control and the delıvery of hıgh qualıty products to mınımıse the ımpact of thıs competıtıon

Legislative rısks

The company ıs requıred to comply wıth all relevant legıslatıon, but ın partıcular coverıng actıvıtıes such as standards of health & safety of employees and employment legıslatıon

Directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Qualifying third party indemnity provisions for directors

The ultimate parent undertaking of the company maintains liability and indemnity insurance for its directors and officers and for those of its subsidiaries The provision has been in place throughout the year

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board

P Loebig
Secretary

28 AUGUST 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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) The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 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

Ernst & Young

Independent auditors' report

to the members of Clarke UK Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable United Kingdom Law and Accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all information and explanations we require for our audit, or if the information specified by law regarding directors remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report

to the members of Clarke UK Limited (continued)

Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

12\9\ 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	*2007* £	*2006* £
Turnover	2	10,709,997	8,758,281
Cost of sales		(7,754,606)	(6,496,955)
Gross profit		2,955,391	2,261,326
Administration expenses		(1,308,788)	(1,168,045)
Operating profit before exceptional items		1,646,603	1,093,281
Foreign exchange gain on translation of group loans			204,276
Operating profit	3	1,646,603	1,297,557
Net interest receivable	4	16,612	10,275
Profit on ordinary activities before taxation		1,663,215	1,307,832
Tax charge on ordinary activities	5	(512,313)	(401,386)
Profit for the financial period	17	1,150,902	906,446

All items in the profit and loss account relate to continuing operations

Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit attributable to the shareholders of the company of £1,150,902 (2006 £906,446)

Balance sheet

at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	7	131,222	169,505
Investments	8	6,002	6,002
		137,224	175,507
Current assets			
Stocks	9	1,503,682	1,995,887
Debtors	10	2,300,257	2,404,541
Cash at bank and in hand		371,656	576,534
		4,175,595	4,976,962
Creditors amounts falling due within one year	11	1,821,614	2,346,726
Net current assets		2,353,981	2,630,236
		2,491,205	2,805,743
Creditors amounts falling due after more than one year			
Loans	12		1,458,805
Obligations under finance leases and hire purchase contracts	14	2,340	8,975
Preference shares	15	104,680	104,680
		107,020	1,572,460
Capital and reserves			
Called up share capital	16, 17	6,431	6,431
Share premium account	17	153,889	153,889
Other reserves	17	100,000	100,000
Profit and loss account	17	2,123,865	972,963
Equity Shareholders' funds		2,384,185	1,233,283
		2,491,205	2,805,743

J Blackwood
Director

28/8/2008

Statement of cash flows

for the year ended 31 December 2007

	Notes	2007 £	2006 £
Net cash inflow from operating activities	18(a)	393,161	133,223
Returns on investments and servicing of finance	18(b)	16,612	10,275
Taxation	18(b)	(570,666)	(75,550)
Capital expenditure and financial investment	18(b)	(37,813)	(36,152)
Financing	18(b)	(6,172)	(4,995)
Increase / (decrease) in cash	18(c)	(204,878)	26,801

Reconciliation of net cash flows to movement in net funds

	Notes	2007 £	2006 £
Increase / (decrease) in cash		(204,878)	26,801
Capital element of finance leases and hire purchase contracts		6,172	4,995
Change in net funds resulting from cash flows	18(c)	(198,706)	31,796
New finance leases and hire purchase contracts			(9,275)
Movement in net funds		(198,706)	22,521
Net funds at 1 January	18(c)	561,387	538,866
Net funds at 31 December	18(c)	362,681	561,387

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Group financial statements

In view of the exemptions allowed under s248 of the Companies Act 1985, the directors have decided not to prepare group financial statements These financial statements relate only to the results of the company and not of its group

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows

Tenants improvements	over the lease term	(straight line)
Plant and equipment	between 12 5% and 25%	(straight line)
Hire fleet	12 5%	(straight line)
Motor vehicles	25%	(straight line)

Leasing commitments

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their estimated useful life The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease

Stock

Stocks are valued at the lower of cost and net realisable value Cost is computed on a first in first out basis

Net realisable value is based on estimated selling price less the estimated cost of disposal

Research and development

Research and development expenditure is written off to the profit and loss account as incurred

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

2. Turnover

Turnover, stated net of value added tax, represents amounts invoiced to third parties, and is attributable to the one continuing activity of manufacture of bespoke fire protection systems

The analysis of turnover by geographical areas is as follows

	2007	*2006*
	£	*£*
United Kingdom	4,283,753	3,668,315
Non UK	6,426,244	5,089,966
	10,709,997	8,758,281

3. Operating profit

This is stated after charging/(crediting)

		2007	*2006*
		£	*£*
Depreciation of owned assets		69,536	67,829
Depreciation of assets held under finance leases		6,560	5,972
Auditors' remuneration	audit services	13,900	13,000
	non audit services	9,425	5,575
Operating lease rentals	plant and machinery	8,680	8,134
	land and buildings	70,000	69,996
Rental income		(10,224)	(10,219)
Directors' emoluments		75,171	81,104
Directors' pension		3,589	3,525
Research and development expenditure		18,815	10,575
Foreign exchange gain on translation of group loans			(204,280)
Net exchange gain on normal trading activities		(108,493)	(123,006)

Notes to the financial statements

at 31 December 2007

4. Net interest receivable

	2007	2006
	£	£
Bank interest received	17,503	11,732
Finance charges payable under finance lease and hire purchase contracts	(891)	(1,457)
	16,612	10,275

5. Taxation

	2007	2006
	£	£
UK corporation tax		
UK corporation tax on profits of the period	513,991	408,426
Adjustment in respect of previous periods	(1,599)	(9,285)
	512,392	399,141
Deferred tax		
Originating and reversal of timing differences	(898)	2,245
Effect of changes in tax rate	819	
	(79)	2,245
Tax on profit on ordinary activities	512,313	401,386

Factors affecting the tax charge for the period

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK The differences are explained below

	2007	2006
	£	£
Profit on ordinary activities before tax	1,663,215	1,307,832
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	498,965	392,350
Effect of		
Disallowed expenses and non taxable income	13,897	15,182
Depreciation in excess of capital allowances	1,112	794
Other timing differences	17	100
Adjustments in respect of previous periods	(1,599)	(9,285)
	512,392	399,141

Notes to the financial statements

at 31 December 2007

Factors that may affect future tax charges

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008 This rate change will affect the amount of future tax payments to be made by the company The deferred tax balance has been adjusted in the current year to reflect this change Changes to the UK Capital allowance regime will also impact the capital allowances the company can claim The full impact of these changes is still being assessed

6. Staff costs

	2007	*2006*
	£	*£*
Wages and salaries	773,622	655,060
Social security costs	84,328	71,508
Other pension costs (note 20)	18,313	15,863
	876,263	742,431

Retirement benefits are accruing to 1 (2006 1) director under a defined contribution scheme

The average weekly number of employees during the year was 35 (2006 30), made up as follows

	2007	*2006*
	No	*No*
Administration	12	12
Production	23	18
	35	30

Notes to the financial statements

at 31 December 2007

7. Tangible fixed assets

	Land and buildings	*Plant and equipment*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*
Cost				
At 1 January 2007	350,283	412,474	20,568	783,325
Additions	5,779	32,034		37,813
At 31 December 2007	356,062	444,508	9,275	809,845
Depreciation				
At 1 January 2007	261,623	337,962	14,235	613,820
Provided during year	35,262	37,307	3,527	76,096
Disposals			(11,293)	(11,293)
At 31 December 2007	296,885	375,269	6,469	678,623
Net book value				
At 31 December 2007	59,177	69,239	2,806	131,222
At 1 January 2007	88,660	74,512	6,333	169,505

The net book value of motor vehicles above includes an amount of £2,806 (2006 £6,333) in respect of assets held under finance leases and hire purchase contracts

The net book value of plant and equipment above includes an amount of £4,899 (2006 £7,931) in respect of the assets held under finance lease and hire purchase contracts

8. Investments

	2007	*2006*
	£	*£*
Cost		
At 1 January and at 31 December	6,002	6,002

The company owns 100% of the ordinary share capital of Firedriver Limited Firedriver Limited is a dormant company registered in Scotland

9. Stocks

	2007	*2006*
	£	*£*
Raw materials	1,416,231	1,831,693
Work in progress	87,451	164,194
	1,503,682	1,995,887

Notes to the financial statements

at 31 December 2007

10. Debtors

	2007	2006
	£	£
Trade debtors	2,163,660	2,048,398
Amounts owed by parent company		252,159
Other debtors	83,010	45,054
Prepayments and accrued income	42,124	47,546
Deferred tax asset (note 13)	11,463	11,384
	2,300,257	2,404,541

11. Creditors: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	862,799	951,932
Amounts owed to parent company	387,389	522,825
Corporation tax	349,859	408,426
Other taxes and social security costs	38,100	30,464
Obligations under finance leases and hire purchase contracts (note 14)	6,635	6,172
Other creditors	48,217	38,824
Accruals and deferred income	128,615	388,083
	1,821,614	2,346,726

12. Loans

The non interest bearing US$2,855,099 intercompany loan from Clarke Power Services Inc was repaid in full during the year

Notes to the financial statements

at 31 December 2007

13. Deferred taxation

The deferred tax included in the balance sheet is as follows

	2007	2006
	£	£
Included in debtors (note 10)	11,463	11,384

	2007	2006
The deferred tax consists of		
Decelerated capital allowances	11,283	11,208
Other timing differences	180	176
	11,463	11,384

At 1 January 2007	11,384
Deferred tax credit in profit & loss account (note 5)	79
At 31 December 2007	11,463

14. Obligation under finance leases and hire purchase contracts

	2007	2006
	£	£
Amounts payable		
Within one year	7,063	7,063
In two to five years	2,390	9,453
	9,453	16,516
Less finance charges allocated to future periods	478	1,369
	8,975	15,147
Finance leases and hire purchase contracts are analysed as follows		
Current obligations (note 11)	6,635	6,172
Non current obligations	2,340	8,975
	8,975	15,147

Notes to the financial statements

at 31 December 2007

15. Preference shares

	Authorısed 2007	2006
	£	£
Non equıty share capıtal		
1,046,799 Preference shares of £0 10 each	104,680	104,680

	Allotted, called up and fully paıd 2007	2006	2007	2006
	No	No	£	£
Non equıty share capıtal				
Preference shares of £0 10 each	1,046,799	1,046,799	104,680	104,680

The preference shares, whıch were ıssued at par, carry a final dıvıdend of 3% above base rate per annum, payable half yearly ın arrears on 30 June and 31 December The dıvıdend rıghts are cumulatıve

The preference shares carry no votes at general meetıngs unless the dıvıdend thereon ıs three months or more ın arrears, ın whıch event each holder wıll be entıtled to ten votes per 10p share on a poll

On a wındıng up of the company, the preference shareholders have a rıght to receıve, ın preference to any payments to the ordınary shareholders, 10p per share plus any arrears, deficıency or accruals of fixed dıvıdend

The preference dıvıdend of £17,796 has been waıved

16. Share capital

	Authorısed 2007	2006
	£	£
1,453,201 Ordınary shares of £0 10 each	145,320	145,320

	Allotted, called up and fully paıd 2007	2006	2007	2006
	No	No	£	£
Ordınary shares of £0 10 each	64,313	64,313	6,431	6,431

Notes to the financial statements

at 31 December 2007

17. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	*Share premium account* £	*Capital redemption reserve* £	*Profit and loss account* £	*Total* £
At 31 December 2005	6,431	153,889	100,000	66,517	326,837
Profit for the year				906,446	906,446
At 31 December 2006	6,431	153,889	100,000	972,963	1,233,283
Profit for year				1,150,902	1,150,902
At 31 December 2007	6,431	153,889	100,000	2,123,865	2,384,185

18. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	*2006* £
Operating profit	1,646,603	1,297,557
Depreciation	76,096	73,801
(Increase) / decrease in debtors	104,364	(803,606)
(Increase) /decrease in stocks	492,205	372,248
Increase / (decrease) in creditors	(1,926,107)	(806,777)
Net cash inflow from operating activities	393,161	133,223

Notes to the financial statements

at 31 December 2007

18. Notes to the statement of cash flows (continued)

(b) Analysis of cash flows for heading netted in the statement of cash flows

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	17,503	11,732
Interest element of finance lease rental payments	(891)	(1,457)
	16,612	10,275

	2007 £	2006 £
Taxation		
Corporation tax paid	(570,666)	(75,550)

	2007 £	2006 £
Capital expenditure and financial investment		
Payment to acquire tangible fixed assets	(37,813)	(36,152)

	2007 £	2006 £
Financing		
Capital element of finance lease and hire purchase obligations	(6,172)	(4,995)

(c) Analysis of changes in net funds

	At 1 January 2007 £	Cash flow £	At 31 December 2007 £
Cash at bank and in hand	576,534	(204,878)	371,656
Finance lease and hire purchase obligations	(15,147)	6,172	(8,975)
	561,387	(198,706)	362,681

Notes to the financial statements

at 31 December 2007

19. Other financial commitments

At 31 December 2007 the company had annual commitments under non cancellable operating leases as set out below

	Land and buildings		*Other*	
	2007	*2006*	*2007*	*2006*
	£	*£*	*£*	*£*
Operating leases which expire				
Within one year			6,330	2,208
In second to fifth years inclusive	70,000	70,000		

20. Pension commitments

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pensions cost charge (note 6) represents contributions payable by the company to the fund and amounted to £18,313 (2006 £15,134) The unpaid contributions outstanding at the year end were £nil (2006 – £nil)

21. Related parties

During the year the company entered into transactions, in the ordinary course of business, with other related parties Transaction entered into, and trading balances outstanding at 31 December, are as follows

	Sales to related party	*Purchase from related party*	*Amounts owed from related party*	*Amounts owed to related party*
	£	*£*	*£*	*£*
Related party				
Clarke Fire Protection Products Inc				
Parent company				
2007	192,534	1,574,526		385,714
2006	403,150	2,898,995	252,159	515,342
Clarke Power Services Inc (formerly Clarke Detroit Diesel Allison Inc)				
Ultimate parent company				
2007		29,138		1,675
2006		21,900		7,484

22. Ultimate parent undertaking

The company is a wholly owned subsidiary of Clarke Fire Protection Products Inc which is in turn wholly owned by Clarke Power Services Inc (formerly Clarke Detroit Diesel Allison Inc), both companies being incorporated in the United States of America In the opinion of the directors, Clarke Power Services Inc is the company's ultimate parent company