

Registration number: SC081670

Clarke Fire Protection Products Limited

Annual Report and Financial Statements

For the year ended 31 December 2019



Clarke Fire Protection Products Limited

Directors	John Blackwood Dane Petrie
Company secretary	Paul Loebig
Registered number	SC081670
Registered office	Unit 1 Grange Works Lomond Road Coatbridge ML5 2NN
Auditor	Ernst & Young LLP 5 George Square Glasgow G1 2DY
Bankers	The Royal Bank of Scotland plc 37 High Street Dumbarton G82 1LX
Solicitors	CMS Cameron McKenna LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EN

Strategic Report

for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Fair review of the business

2019 was a good year in a very challenging market place.

The 2018 turnover of £36,767,896 was increased by £2,028,683 to give us a 2019 figure of £38,796,578 albeit with a slight decrease in margin from 23.3% to 23.1%.

Interesting that that our actual engine sales number reduced from 3,788 in 2018 to 3,742 in 2019, a reduction of 46 engines. Although there was a reduction in quantity the sales we achieved had new models which were well received in the market place.

As a company, we are continuing to develop specific new product lines albeit not every project will be completed in 2020 due to the down turn expected in our business.

Our continuous improvement strategy is paramount to us as a company and even more so as we will be reviewing our competences due the fact we will be under financial strain.

The Board of Directors in USA were satisfied with our performance in 2019 and are understanding of the challenges facing us in 2020.

Principal risks and uncertainties

Competitive risks

The Company is at risk from aggressive pricing and goods delivery strategies from its competitors. The Company is focused on cost control and the delivery of high quality products to minimise the impact of this competition.

Legislative risks

The Company is required to comply with all relevant legislation, but in particular covering activities such as standards of health and safety of employees and employment legislation.

Financial risk management

The Company's financial risk management policies are determined by the Company's ultimate parent undertaking and controlling party, Clarke Power Services Inc. The Company's principal financial instruments comprise cash, short term deposits and/or borrowings, the main purpose of which is to provide finance for its normal trading operations. The Company has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the Company's financial instruments are liquidity and foreign currency risks. The Company has clear policies for managing each of these risks.

Approved by the Board on 28 August 2020 and signed on its behalf by:



John Blackwood
Director

Directors' Report

for the year ended 31 December 2019

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

Results and dividends

The profit for the year, after taxation, amounted to £2,035,287 (2018: £2,137,958).

During the year the Company paid a dividend of £750,000 (2018: £2,500,000).

Directors of the Company

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

John Blackwood

Danè Petrie

Qualifying third party indemnity provisions

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.

Financial Instruments

Financial instruments are disclosed in the Strategic Report on page 2.

Going concern

The Company's business activities, a review of the business, together with the factors likely to affect its future developments, its financial position, financial risk management objectives and details of its financial instruments are described in the Strategic Report on page 2. The COVID-19 virus will impact the company's operational results and cashflow for the year. In light of this, and the continuing development of the situation, the company has revisited its financial forecasts which has resulted in a decrease in forecast revenues and profits. Clarke has seen disruption to its sales since March as a result of government implemented lockdowns. The company has utilised the UK Government's job retention scheme and furloughed a number of staff where it was impossible for them to work effectively from home. By ensuring appropriate health and safety measures have taken place the company has opened its facility in Coatbridge. Management have remodelled forecasted cashflows and performed sensitivity analysis to review the potential impact of COVID-19 on the business. The analysis undertaken, combined with the actions taken allow the Directors to conclude that the company is well placed to manage its business risks successfully despite the current economic outlook.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Report

for the year ended 31 December 2019

Post Balance Sheet Events

The outbreak of the coronavirus disease has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to businesses globally resulting in an economic slowdown. The impact post year end to the business from COVID is disclosed above under the going concern paragraph.

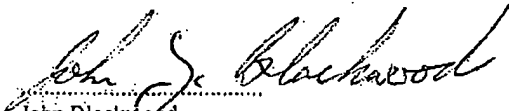
Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information 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 the steps that he/she 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.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 28 August 2020 and signed on its behalf by:


John Blackwood
Director

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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). 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 of 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 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 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.

Independent Auditor's Report

to the Members of Clarke Fire Protection Products Limited

Opinion

We have audited the financial statements of Clarke Fire Protection Products Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and related notes 1 to 25, 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 FRS102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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 below. 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 opinion.

Emphasis of matter

We draw attention to the Directors' report, Note 2 (Basis of Preparation) and Note 24 (Post balance sheet events) in the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

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.

Independent Auditor's Report

to the Members of Clarke Fire Protection Products Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of our 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 the Directors' Report.

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:

- adequate accounting records have not been kept, or 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; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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.

Independent Auditor's Report

to the Members of Clarke Fire Protection Products Limited

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 <https://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.

Ernst & Young LLP

Nicola McIntyre (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

5 George Square
Glasgow
G1 2DY

28 August 2020

Clarke Fire Protection Products Limited

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	38,796,578	36,767,896
Cost of sales		<u>(29,848,946)</u>	<u>(28,195,833)</u>
Gross profit		8,947,632	8,572,063
Administrative expenses		<u>(6,419,528)</u>	<u>(5,912,167)</u>
Operating profit	4	2,528,104	2,659,896
Interest receivable and similar income	7	6,144	3,778
Interest payable and expenses	8	<u>(7,851)</u>	<u>(7,589)</u>
Profit before tax		2,526,397	2,656,085
Tax on profit	9	<u>(491,110)</u>	<u>(518,127)</u>
Profit for the financial year		<u>2,035,287</u>	<u>2,137,958</u>

The above results were derived from continuing operations.

There were no recognised gains or losses for the 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 13 to 26 form an integral part of these financial statements.

Clarke Fire Protection Products Limited

Balance Sheet

as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets:			
Tangible assets	11	298,860	343,409
Investments	12	2	2
		<u>298,862</u>	<u>343,411</u>
Current assets			
Stocks	13	7,068,726	6,081,122
Debtors	14	7,683,486	6,930,612
Cash at bank and in hand		<u>3,286,683</u>	<u>2,642,791</u>
		18,038,895	15,654,525
Creditors: Amounts falling due within one year	15	<u>(8,872,945)</u>	<u>(7,803,106)</u>
Net current assets		<u>9,165,950</u>	<u>7,851,419</u>
Total assets less current liabilities		<u>9,464,812</u>	<u>8,194,830</u>
Creditors: Amounts falling due after more than one year	16	<u>(104,680)</u>	<u>(104,680)</u>
Provisions for liabilities			
Deferred tax	18	<u>(7,713)</u>	<u>(23,018)</u>
Net assets		<u>9,352,419</u>	<u>8,067,132</u>
Capital and reserves			
Called up share capital	19	6,431	6,431
Share premium account	20	153,889	153,889
Capital redemption reserve	20	100,000	100,000
Profit and loss account		<u>9,092,099</u>	<u>7,806,812</u>
Total shareholders funds		<u>9,352,419</u>	<u>8,067,132</u>

The financial statements were approved and authorised for issue by the Board on 28 August 2020 and signed on its behalf by:


 John Blackwood
 Director

The notes on pages 13 to 26 form an integral part of these financial statements.

Clarke Fire Protection Products Limited

Statement of Changes in Equity
for the year ended 31 December 2019

	<i>Called up share capital £</i>	<i>Share premium account £</i>	<i>Capital redemption reserve £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 2018	6,431	153,889	100,000	8,168,854	8,429,174
Profit for the year	-	-	-	2,137,958	2,137,958
Total comprehensive income	-	-	-	2,137,958	2,137,958
Dividends	-	-	-	(2,500,000)	(2,500,000)
At 31 December 2018	6,431	153,889	100,000	7,806,812	8,067,132
Profit for the year	-	-	-	2,035,287	2,035,287
Total comprehensive income	-	-	-	2,035,287	2,035,287
Dividends	-	-	-	(750,000)	(750,000)
At 31 December 2019	6,431	153,889	100,000	9,092,099	9,352,419

The notes on pages 13 to 26 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 £	2018 £
Reconciliation of operating profit to net cash inflow/outflow from operating activities			
Operating profit		2,528,104	2,659,896
Depreciation	4	107,156	104,254
Gain on sale of tangible fixed assets		-	(260)
Increase in debtors		(752,874)	(764,813)
Increase in stocks		(987,604)	(633,469)
Increase in creditors		998,962	1,945,324
Corporation tax paid		(435,538)	(705,954)
Net cash inflow from operating activities		1,458,206	2,604,978
Cash flows used in investing activities			
Interest received	7	6,144	3,778
Sale of tangible fixed assets		-	260
Acquisitions of tangible assets	11	(62,607)	(97,828)
Net cash flows used in investing activities		(56,463)	(93,790)
Cash flows used in financing activities			
Interest paid	8	(7,851)	(7,589)
Equity dividend paid	10	(750,000)	(2,500,000)
Net cash flows used in financing activities		(757,851)	(2,507,589)
Net increase in cash and cash equivalents		643,892	3,599
Cash and cash equivalents at 1 January		2,642,791	2,639,192
Cash and cash equivalents at 31 December		3,286,683	2,642,791

The notes on pages 13 to 26 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2019

1 General information

The Company is a private company limited by shares, incorporated in Scotland.

The address of its registered office is:

Unit 1
Grange Works
Lomond Road
Coatbridge
ML5 2NN
Scotland

2 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

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.

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

Going concern

The Company's business activities, a review of the business, together with the factors likely to affect its future developments, its financial position, financial risk management objectives and details of its financial instruments are described in the Strategic Report on page 2.

The COVID-19 virus will impact the company's operational results and cashflow for the year. In light of this, and the continuing development of the situation, the company has revisited its financial forecasts which has resulted in a decrease in forecast revenues and profits. Clarke has seen disruption to its sales since March as a result of government implemented lockdowns. The company has utilised the UK Government's job retention scheme and furloughed a number of staff where it was impossible for them to work effectively from home. By ensuring appropriate health and safety measures have taken place the company has opened its facility in Coatbridge. Management have remodelled forecasted cashflows and performed sensitivity analysis to review the potential impact of COVID-19 on the business. The analysis undertaken, combined with the actions taken allow the Directors to conclude that the company is well placed to manage its business risks successfully despite the current economic outlook.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Group financial statements

The Company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006, and accordingly the financial statements present information about the Company as an individual undertaking and not about its group.

Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and 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 balance sheet date in the countries where the Company operates and generates income.

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

- 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged in the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

Leasing

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

Tangible assets

Tangible fixed assets under the cost model 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.

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Asset class

Depreciation method and rate

Leasehold improvements

over the lease term

Plant and machinery

Between 12.5% and 25% per annum

Motor vehicles

3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Research and development

Research and development expenditure is written off to the Statement of Comprehensive Income as incurred.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Raw materials and goods for resale – purchase cost on a first in, first out basis

Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

Foreign currency

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 income statement.

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.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Notes to the Financial Statements

for the year ended 31 December 2019

3. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity of manufacture of bespoke fire protection systems, as stated in the directors' report.

Analysis of turnover by country of destination:

	2019 £	2018 £
UK	5,959,808	4,480,014
USA	4,857	-
Europe	23,512,624	21,789,899
Rest of world	9,319,289	10,497,983
	<u>38,796,578</u>	<u>36,767,896</u>

4 Operating profit

Arrived at after charging

	2019 £	2018 £
Auditor's remuneration - audit services	25,000	22,770
Auditor's remuneration - non-audit services (tax compliance)	11,000	9,000
Auditor's remuneration - non audit services (accounts preparation)	6,000	5,265
Depreciation of tangible fixed assets	107,156	104,254
Research and development cost	5,510	7,054
Operating lease expense - land and buildings	105,000	105,000
Operating lease expense - plant and machinery	4,571	5,268
Net exchange loss on trading activities	<u>293,916</u>	<u>2,053</u>

Notes to the Financial Statements

for the year ended 31 December 2019

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

		2019 £	2018 £
	<i>Note</i>		
Wages and salaries		2,105,581	1,969,500
Social security costs		219,352	217,474
Pension costs, defined contribution scheme	21	97,353	87,819
		<u>2,422,286</u>	<u>2,274,793</u>

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration	27	23
Manufacturing	48	49
	<u>75</u>	<u>72</u>

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Directors' emoluments	179,144	189,595
Directors' pension costs	7,383	7,383
	<u>186,527</u>	<u>196,978</u>

Key management personnel is deemed as directors of the company.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018: 1).

Notes to the Financial Statements

for the year ended 31 December 2019

7 Interest receivable and similar income

	2019 £	2018 £
Bank interest received	<u>6,144</u>	<u>3,778</u>

8 Interest payable and expenses

	2019 £	2018 £
3% preference dividend	<u>7,851</u>	<u>7,589</u>

9 Taxation

Tax charged in the Statement of Comprehensive Income

	2019 £	2018 £
Current taxation		
Current tax on profits for the year	498,347	514,564
Adjustments in respect of previous periods	<u>8,068</u>	<u>7,278</u>
	<u>506,415</u>	<u>521,842</u>
Deferred taxation		
Origination and reversal of timing differences	(8,433)	2,194
Changes to tax rates	888	(231)
Adjustments in respect of prior periods	<u>(7,760)</u>	<u>(5,678)</u>
Total deferred taxation	<u>(15,305)</u>	<u>(3,715)</u>
Tax expense in the Statement of Comprehensive Income	<u>491,110</u>	<u>518,127</u>

Notes to the Financial Statements

for the year ended 31 December 2019

9 Taxation (continued)

The tax on profit for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	2,526,397	2,656,085
Corporation tax at standard rate	480,015	504,656
Expenses not deductible	9,899	12,102
Adjustments from previous periods	308	1,600
Tax rate changes	888	(231)
Total tax charge	491,110	518,127

Deferred tax is currently recognised at 17%. On 17 March 2020, a budget announcement made by the UK government was substantively enacted to reverse the planned reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020, as per The Finance Act 2016. This is a non-adjusting post-balance sheet event.

10 Dividends

	2019 £	2018 £
Dividend Paid	750,000	2,500,000

Notes to the Financial Statements

for the year ended 31 December 2019

11 Tangible assets

	<i>Leasehold improvements</i> £	<i>Plant and machinery</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost or valuation				
At 1 January 2019	712,822	945,435	11,272	1,669,529
Additions	17,613	44,994	-	62,607
At 31 December 2019	730,435	990,429	11,272	1,732,136
Depreciation				
At 1 January 2019	496,472	818,376	11,272	1,326,120
Charge for the year	51,102	56,054	-	107,156
At 31 December 2019	547,574	874,430	11,272	1,433,276
Carrying amount				
At 31 December 2019	182,861	115,999	-	298,860
At 31 December 2018	216,350	127,059	-	343,409

12 Investments

	2019 £	2018 £
Investments in subsidiaries	2	2

The Company owns 100% of the ordinary share capital of Firedriver Diesel Engines Limited. Firedriver Diesel Engines Limited is a dormant Company registered in Scotland and its registered address is Unit 1, Grange Works, Lomond Road, Coatbridge, ML5 2NN.

Notes to the Financial Statements

for the year ended 31 December 2019

13 Stocks

	2019 £	2018 £
Raw materials and consumables	6,475,272	5,614,139
Work in progress	375,241	114,461
Finished goods	218,213	352,522
	<u>7,068,726</u>	<u>6,081,122</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14 Debtors

	Note	2019 £	2018 £
Trade debtors		6,779,861	5,976,756
Amounts owed by group undertakings	23	202,024	203,123
Other debtors		701,601	750,733
		<u>7,683,486</u>	<u>6,930,612</u>

Amounts owed by group undertakings are interest free and repayable on demand.

15 Creditors: Amounts falling due within one year

	Note	2019 £	2018 £
Trade creditors		4,296,481	3,653,434
Amounts due to group undertakings	23	2,301,422	2,165,653
Corporation tax		220,032	149,155
Other taxation and social security		92,691	94,078
Other creditors		106,339	388,221
Accruals and deferred income		1,855,980	1,352,565
		<u>8,872,945</u>	<u>7,803,106</u>

Amounts owed to group undertakings are interest free and repayable on demand.

Notes to the Financial Statements

for the year ended 31 December 2019

16 Creditors: Due after more than one year

	2019 £	2018 £
Preference shares	104,680	104,680

In both years the preference shares are £0.10 each and there are 1,046,799 shares.

The preference shares, which were issued at par, carry a final dividend of 3% above base rate per annum, payable half yearly in arrears on 30 June and 31 December. The dividend rights are cumulative.

The preference shares carry no votes at general meetings unless the dividend thereon is three months or more in arrears, in which event each holder will be entitled to ten votes per 10p share on a poll.

On a winding up of the Company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, 10p per share plus any arrears, deficiency or accruals of fixed dividend. The preference dividend of £7,851 was paid in the year (2018 - £7,589).

17 Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets that are equity instruments measured at cost less impairment	2	2
Financial assets that are debt instruments measured at amortised cost - debtors	7,683,486	6,930,612
	<u>7,683,488</u>	<u>6,930,614</u>
Financial liabilities		
Financial liabilities measured as amortised cost - liability component of preference shares	104,680	104,680
Financial liabilities measured at amortised cost - trade creditors	4,296,481	3,653,434
Amounts owed to group undertakings	2,301,422	2,165,653
	<u>6,702,583</u>	<u>5,923,767</u>

Notes to the Financial Statements

for the year ended 31 December 2019

18 Deferred tax

	<i>Deferred tax</i> £
At 1 January 2019	(23,018)
Adjustment in respect of prior periods	7,760
Credited in Statement of Comprehensive Income	<u>7,545</u>
At 31 December 2019	<u>(7,713)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	(37,055)	(41,038)
Short term timing differences - trading	<u>29,342</u>	<u>18,020</u>
	<u>(7,713)</u>	<u>(23,018)</u>

19 Share capital

Shares classified as equity - Allotted, called up and fully paid

	2019 No.	£	2018 No.	£
Ordinary shares of £0.10 each	<u>64,313</u>	<u>6,431</u>	<u>64,313</u>	<u>6,431</u>

Allotted, called up and fully paid shares

	2019 No.	£	2018 No.	£
Preference shares of £0.10 each	<u>1,046,799</u>	<u>104,679.90</u>	<u>1,046,799</u>	<u>104,679.90</u>

Notes to the Financial Statements

for the year ended 31 December 2019

20 Reserves

Share premium account

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

Capital redemption reserve

This reserve relates to the nominal value of shares repurchased by the Company.

21 Pension and other schemes

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 5) represents contributions payable by the Company to the fund and amounted to £97,353 (2018 - £87,819). The unpaid contributions outstanding at the year end were £14,291 (2018 - £13,849).

22 Obligations under operating leases

At 31 December 2019 the Company had future minimum lease payments under operating leases as follows:

	2019 £	2018 £
Land and buildings		
Not later than one year	105,000	105,000
Later than one year and not later than five years	350,000	420,000
Later than five years	-	35,000
	<u>455,000</u>	<u>560,000</u>
	2019 £	2018 £
Other		
Not later than one year	3,650	4,831
Later than one year and not later than five years	8,522	8,239
	<u>12,172</u>	<u>13,070</u>

Notes to the Financial Statements

for the year ended 31 December 2019

23 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The transactions entered into, and trading balances outstanding at 31 December 2019, are as follows:

	<i>Sales to related party</i>	<i>Purchases from related party</i>	<i>Amounts owed from related party</i>	<i>Amounts owed to related party</i>
	£	£	£	£
Clarke Fire Protection Products Inc. Parent undertaking				
2019	103,625	9,476,696	202,024	2,301,422
2018	<u>231,504</u>	<u>9,047,537</u>	<u>203,123</u>	<u>2,165,653</u>

24 Post Balance Sheet Events

The outbreak of the coronavirus disease has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to businesses globally resulting in an economic slowdown. The impact post year end to the business from COVID is disclosed above under the going concern paragraph.

25 Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of Clarke Fire Protection Products Inc. which is in turn wholly owned by Clarke Power Services 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 undertaking and controlling party. Copies of their group financial statements, which include the Company, are available from 3133 East Kemper Road, Cincinnati, Ohio, 45241 USA.