

Registration number: SC081670

Clarke Fire Protection Products Limited

Annual Report and Financial Statements

For the year ended 31 December 2022



Clarke Fire Protection Products Limited

Directors John Blackwood

Dane Petrie

**Company
secretary** Adrienne Custer

**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 2022

The directors present their Strategic Report for the year ended 31 December 2022.

Principal activity

The principal activity of the Company is to supply Diesel Engines to the Fire Protection Industry.

Business review

The final result for the year ending 31 December 2022 was a turnover of £47,510,461 up £9,979,135 from the previous year.

2022 was the year that Global markets recovered from the effects of Covid and demand for our product in truth exceeded our expectations.

Whilst it was encouraging to see our order book expanding at a tremendous rate it did once again put pressure on us to ensure our supply chain and our production output kept up to speed with the demand.

Despite general progress being made to overcome the Covid-19 epidemic, the annual results were impacted by resultant and ongoing disruption to global supply chains, increased supplier pricing, exorbitant freight charges, the effects of rising inflation and currency fluctuations all of which did have an impact on our profit margin.

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.

Financial key performance indicators

The directors monitor the performance of the Company with reference to the following financial key performance indicators:

- The Company's turnover increased from £37,531,326 to £47,510,561.
- The Company's gross profit increased from £8,709,064 to £10,443,259.
- The Company's gross profit as a percentage of turnover decreased from 23.2% to 21.9%.

Strategic Report

for the year ended 31 December 2022

Directors' statement of compliance with duty to promote the success of the Company

The Board of Clarke Fire Protection Products Limited acknowledges and understands that its directors have a legal responsibility under section 172 of the Companies Act 2006 to act in good faith, in a way that would be most likely to promote the Company's success for the benefit of its members as a whole and to have regard to the long-term effect of their decisions on the Company and its stakeholders. This statement addresses the ways in which the directors as a board approach this responsibility.

The Company has supplied Diesel Engines and related support services through its management team and employees since its formation in 1998. It has succeeded by embedding the values that guide its decision-making into its culture, with a clear emphasis on its highly valued relationships with its employees, customers and suppliers along with any potential impact their actions might have on the wider economy and environment.

Our staff are our key asset and as such we ensure that they are treated fairly and with respect. Our high rate of staff retention speaks for itself. We endeavour to ensure that their interests remain at the forefront of our business management process and with the pandemic seemingly ended we have resumed our long history of controlled growth bringing with it development opportunities for staff without job losses that many had feared.

Without customers we would have no business and of course we prioritise service delivery to meet expectations and thus retain long-term mutually beneficial relationships. We work closely with our client base and ensure that we tailor our products and services to their needs. Our business has continued to thrive through good and more difficult times, which has been achieved by ensuring that we meet customer needs, something which is facilitated by our committed workforce.

Our suppliers are a key element of our service delivery chain and we ensure that we partner with the right businesses and have appropriate processes in place to manage and maintain strong relationships with these critical partners. We ensure that we pay our suppliers promptly.

We are fully cognisant of the potential impact of our business on the wider environment and the people we engage with. We follow up to date environmental and health and safety policy and practice with a team of dedicated qualified professionals employed to ensure we fulfil our responsibilities. Being a consistently profitable business we pay corporation tax along with the collection and transmission of the range or sales and payroll taxes, thus making a very significant direct financial contribution to the wider economy (in addition to the indirect impact of employment).

Future developments

We are hopeful that we have now emerged from an unprecedented period of incredible worry and concern for the world and in turn the global economy. Thankfully, we have all benefitted from the innovation of our scientific community and the creative and steadfast support of the government. For the business community it has allowed us to maintain our workforce largely intact and increasingly welcome back confident and loyal staff who in the main have been fully vaccinated and financially supported.

We did suffer along with others from the unavoidable stop-start impact of lockdowns, but we are confident that the worst is behind us and we look forward to a strong global economic recovery with all the benefits and opportunities that that brings.

Brexit had been largely forgotten during 2020 but it is now becoming clear that it will continue to have an economic impact. We expect that wage rate pressures will escalate, and costs will inevitably rise; uplifting pay of course will be good news for staff. This will mean that prices will have to increase and we will reluctantly have little choice than to negotiate new prices with our much-valued customers during the coming months.

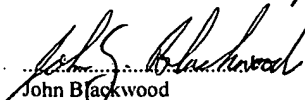
We continue to financially manage our business conservatively and ensure that we do not have significant unavoidable fixed costs and we maintain sufficient working capital to allow us to operate with a minimum of financial stress.

Strategic Report
for the year ended 31 December 2022

Notwithstanding all the challenges of 2022 the Board of Directors in the USA were satisfied with our performance and are understanding that the same challenges will be facing us as we go forward in 2023.

We are confident that Clarke Fire Protection Products Limited will continue to prosper during the coming period.

Approved by the Board on 19/7/23 and signed on its behalf by:


John Blackwood
Director

Directors' Report

for the year ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £2,804,562 (2021: £1,931,551).

The directors do not propose any dividends for the year (2021: £3,000,000).

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

Dane 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 directors of Clarke Fire Protection Products Limited ('the Company') have undertaken an exercise to review the appropriateness of the continued use of the going concern basis. The assessment period considered by the Directors is 12 months from the date of signing the accounts and covered the period to 31 July 2024. When considering going concern the directors consider the Company's business activities, together with the factors likely to affect its future development, performance and position. As noted in this review, the directors view the outlook of the Company as positive.

The directors have carried out a review of the Company's financial position and cash flow forecast for 12 months from the date of signing the financial statements and covered the period to 31 July 2024. This has been based on a comprehensive review of revenue, expenditure and cashflows, incorporating specific business risks and the uncertainties brought about by the current economic environment. The directors have prepared a base case cashflow forecast, which assumes revenue in line with their current order book and performance year-to-date in 2023, as well as inflationary increases in costs. The directors have also prepared a sensitivity which reflects a severe but plausible downside scenario of a 30% reduction in revenue and a 15% reduction in gross margin arising from the continuing impact of cost inflation and supply delays.

During 2022, the Company recorded a profit after tax of £2.8m. The Company has a strong balance sheet with net assets of £11.1m and net current assets of £11.0m. This includes a cash balance of £2.0m, which has since increased to £3.3m as at 1 July 2023. The Company had a cash balance of £4.5m in 2021 and the reduction in 2022 reflects the investment in stocks as a result of management having to stock pile given the worldwide delays in supplies of their engine parts. The directors expect this stock balance to unwind significantly through the going concern period and they have built this into their cashflow forecasts. The Company has no external debt and the directors are not predicting to require any external funding through the going concern period given operations remain cash generative. Revenues have increased from £37.5m in 2021 to £47.5m in 2022 showing that despite factors such as cost inflation and supply chain issues, the Company has been able to retain market share and increase their trading.

Directors' Report

for the year ended 31 December 2022

A number of the Company's suppliers have announced price increases resulting from escalating costs seen throughout their supply chain, which has in turn impacted Clarke Fire Protection Products' business. The Company has experienced increases in materials costs, but particularly freight costs. As a result, the directors took the decision to implement price increases across all engines in 2022, to pass some of these additional costs on to their end customers. The directors monitor the Company's costs on a monthly basis and will continue to monitor this through the going concern period through the monthly cash flow exercises performed.

In the unlikely event of the Company being unable to meet its liabilities as they fall due, the directors have access to a number of controllable mitigations which would include cancelling forecasted payments of surplus cash to their parent Company as well as cancelling any non-committed capital spend that they have forecasted through the going concern period.

On the basis of their assessment and the factors noted above, the directors have a reasonable expectation that the Company will be able to continue in operational existence through the going concern period. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show the Company should be able to operate within the level of its current resources.

Having taken all of the above factors into consideration, the directors have reached a conclusion that the Company is able to meet its financial obligations for the going concern review period to 31 July 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

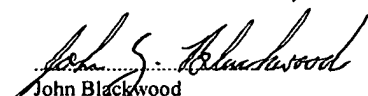
Disclosure of information to the auditor

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 Board Meeting.

Approved by the Board on 19/1/23 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cashflows and the 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 FRS 102 "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 2022 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue to 31 July 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the annual report.

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.

Independent Auditor's Report

to the Members of Clarke Fire Protection Products Limited

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 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 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 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 or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 7, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 102 and Companies Act 2006) and relevant tax compliance regulations in the UK and Ireland. In addition, the Company has to comply with laws and regulations associated with its operations including health and safety, employee regulations, GDPR and anti-bribery and corruption;
- We understood how Clarke Fire Protection Products Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings. Where this risk was considered higher, we performed audit procedures to address the risk of fraud in revenue recognition and the risk of fraud through management override of controls. These procedures included year end cut off testing for revenue, audit procedures that included an analysis and investigation of the relationship between revenue, receivables and cash and testing of manual journals based on specific risk criteria investigating the journals identified and agreeing them to source documentation. We also incorporated unpredictability into our testing of manual journals and our testing of revenue recognition.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, reviewing the board minutes, substantively testing the legal expenses account and considering whether the results of our audit procedures might have indicated non-compliance with laws and regulations. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the reporting framework (FRS 102 and Companies Act 2006).

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

Clarke Fire Protection Products Limited

Independent Auditor's Report

to the Members of Clarke Fire Protection Products Limited

Use of our report

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

Ernst & Young LLP

Sharron Moran (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

5 George Square
Glasgow
G1 2DY

Date: 19 July 2023

Statement of Comprehensive Income
for the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	3	47,510,461	37,531,326
Cost of sales		<u>(37,067,202)</u>	<u>(28,822,262)</u>
Gross profit		10,443,259	8,709,064
Administrative expenses		(6,969,306)	(6,330,555)
Other operating income	4	<u>-</u>	<u>24,266</u>
Operating profit	5	3,473,953	2,402,775
Interest receivable and similar income	8	1,185	110
Interest payable and expenses	9	<u>(11,253)</u>	<u>(6,490)</u>
Profit before tax		3,463,885	2,396,395
Tax on profit	10	<u>(659,323)</u>	<u>(464,844)</u>
Profit for the financial year		<u>2,804,562</u>	<u>1,931,551</u>

The above results were derived from continuing operations.

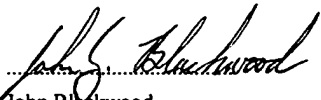
There were no recognised gains or losses for the 2022 or 2021 other than those included in the statement of comprehensive income.

Clarke Fire Protection Products Limited

Balance Sheet
as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	12	218,661	230,076
Investments	13	<u>2</u>	<u>2</u>
		<u>218,663</u>	<u>230,078</u>
Current assets			
Stocks	14	13,550,886	7,583,080
Debtors	15	9,341,017	5,944,600
Cash at bank and in hand		<u>2,029,773</u>	<u>4,554,146</u>
		24,921,676	18,081,826
Creditors: Amounts falling due within one year	16	<u>(13,916,544)</u>	<u>(9,883,949)</u>
Net current assets		<u>11,005,132</u>	<u>8,197,877</u>
Total assets less current liabilities		11,223,795	8,427,955
Creditors: Amounts falling due after more than one year	17	(104,680)	(104,680)
Provisions for liabilities			
Deferred tax	19	<u>(6,063)</u>	<u>(14,785)</u>
Net assets		<u>11,113,052</u>	<u>8,308,490</u>
Capital and reserves			
Called up share capital	20	6,431	6,431
Share premium account	21	153,889	153,889
Capital redemption reserve	21	100,000	100,000
Profit and loss account		<u>10,852,732</u>	<u>8,048,170</u>
Total shareholders funds		<u>11,113,052</u>	<u>8,308,490</u>

The financial statements were approved and authorised for issue by the Board on 19/7/23 and signed on its behalf by:



John Blackwood
Director

The notes on pages 16 to 31 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2022

	<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 2021	6,431	153,889	100,000	9,116,619	9,376,939
Profit for the year	-	-	-	1,931,551	1,931,551
Total comprehensive income	-	-	-	1,931,551	1,931,551
Dividends	-	-	-	(3,000,000)	(3,000,000)
At 31 December 2021	6,431	153,889	100,000	8,048,170	8,308,490
Profit for the year	-	-	-	2,804,562	2,804,562
Total comprehensive income	-	-	-	2,804,562	2,804,562
At 31 December 2022	6,431	153,889	100,000	10,852,732	11,113,052

The notes on pages 16 to 31 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2022

	Note	2022 £	2021 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		3,473,953	2,402,775
Depreciation	5	97,622	113,207
Increase in debtors		(3,396,417)	(307,399)
Increase in stocks		(5,967,806)	(63,999)
Increase in creditors		3,752,033	245,861
Corporation tax paid		(387,483)	(690,783)
Net cash inflow (used in)/from operating activities		(2,428,098)	1,699,662
Cash flows used in investing activities			
Interest received	8	1,185	110
Acquisitions of tangible assets	12	(86,207)	(83,547)
Net cash flows used in investing activities		(85,022)	(83,437)
Cash flows used in financing activities			
Interest paid	9	(11,253)	(6,490)
Equity dividend paid	11	-	(3,000,000)
Net cash flows used in financing activities		(11,253)	(3,006,490)
Net decrease in cash and cash equivalents		(2,524,373)	(1,390,265)
Cash and cash equivalents at 1 January		4,554,146	5,944,411
Cash and cash equivalents at 31 December		2,029,773	4,554,146

The notes on pages 16 to 31 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2022

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 2022

2 Accounting policies (continued)

Going concern

The directors of Clarke Fire Protection Products Limited ('the Company') have undertaken an exercise to review the appropriateness of the continued use of the going concern basis. The assessment period considered by the Directors is 12 months from the date of signing the accounts and covered the period to 31 July 2024. When considering going concern the directors consider the Company's business activities, together with the factors likely to affect its future development, performance and position. As noted in this review, the directors view the outlook of the Company as positive.

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During 2022, the Company recorded a profit after tax of £2.8m. The Company has a strong balance sheet with net assets of £11.1m and net current assets of £11.0m. This includes a cash balance of £2.0m, which has since increased to £3.3m as at 1 July 2023. The Company had a cash balance of £4.5m in 2021 and the reduction in 2022 reflects the investment in stocks as a result of management having to stock pile given the worldwide delays in supplies of their engine parts. The directors expect this stock balance to unwind significantly through the going concern period and they have built this into their cashflow forecasts. The Company has no external debt and the directors are not predicting to require any external funding through the going concern period given operations remain cash generative. Revenues have increased from £37.5m in 2021 to £47.5m in 2022 showing that despite factors such as cost inflation and supply chain issues, the Company has been able to retain market share and increase their trading.

A number of the Company's suppliers have announced price increases resulting from escalating costs seen throughout their supply chain, which has in turn impacted Clarke Fire Protection Products' business. The Company has experienced increases in materials costs, but particularly freight costs. As a result, the directors took the decision to implement price increases across all engines in 2022, to pass some of these additional costs on to their end customers. The directors monitor the Company's costs on a monthly basis and will continue to monitor this through the going concern period through the monthly cash flow exercises performed.

In the unlikely event of the Company being unable to meet its liabilities as they fall due, the directors have access to a number of controllable mitigations which would include cancelling forecasted payments of surplus cash to their parent Company as well as cancelling any non-committed capital spend that they have forecasted through the going concern period.

Notes to the Financial Statements

for the year ended 31 December 2022

2 Accounting policies (continued)

On the basis of their assessment and the factors noted above, the directors have a reasonable expectation that the Company will be able to continue in operational existence through the going concern period. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show the Company should be able to operate within the level of its current resources.

Having taken all of the above factors into consideration, the directors have reached a conclusion that the Company is able to meet its financial obligations for the going concern review period to 31 July 2024. 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 401 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.

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.

Notes to the Financial Statements

for the year ended 31 December 2022

2 Accounting policies (continued)

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 4 and 8 years

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.

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 Statement of Comprehensive Income.

Notes to the Financial Statements

for the year ended 31 December 2022

2 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.

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.

Government grants

In the year ended 31 December 2021, the Company received employment-related grants from the government. A grant is recognised in the Statement of Total Comprehensive Income when there is reasonable assurance that the Company will comply with its conditions and that the grant will be received. Grants are presented in the Statement of Comprehensive Income as other operating income relating to grants claimed through the government's Coronavirus Job Retention Scheme.

Notes to the Financial Statements

for the year ended 31 December 2022

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.

Analysis of turnover by country of destination:

	2022 £	2021 £
UK	8,249,945	6,217,182
USA	9,110	-
Europe	29,888,807	25,264,053
Rest of world	9,362,599	6,050,091
	<u>47,510,461</u>	<u>37,531,326</u>

4 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2022 £	2021 £
Government grants	<u>-</u>	<u>24,266</u>

5 Operating profit

Arrived at after charging:

	2022 £	2021 £
Auditor's remuneration - audit services	50,000	29,500
Auditor's remuneration - non-audit services (tax compliance)	16,164	15,450
Auditor's remuneration - non audit services (accounts preparation)	7,700	6,500
Depreciation of tangible fixed assets	97,622	113,207
Research and development cost	16,876	2,138
Operating lease expense - land and buildings	150,167	135,000
Operating lease expense - plant and machinery	6,373	7,033
Net exchange loss/(gain) on trading activities	<u>46,678</u>	<u>354,983</u>

Notes to the Financial Statements

for the year ended 31 December 2022

6 Staff costs

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

		2022 £	2021 £
	Note		
Wages and salaries		2,936,576	2,485,462
Social security costs		328,513	255,551
Pension costs, defined contribution scheme	22	<u>125,280</u>	<u>105,752</u>
		<u>3,390,369</u>	<u>2,846,765</u>

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

	2022 No.	2021 No.
Administration	33	31
Manufacturing	<u>45</u>	<u>39</u>
	<u>78</u>	<u>70</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Directors' emoluments	201,295	180,578
Directors' pension costs	<u>8,404</u>	<u>7,549</u>
	<u>209,699</u>	<u>188,127</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 (2021- 1). Directors remuneration specifically relates to that of one director, John Blackwood.

Notes to the Financial Statements

for the year ended 31 December 2022

8 Interest receivable and similar income

	2022 £	2021 £
Bank interest received	<u>1,185</u>	<u>110</u>

9 Interest payable and expenses

	2022 £	2021 £
Preference dividend	<u>11,253</u>	<u>6,490</u>

10 Taxation

Tax charged in the Statement of Comprehensive Income

	2022 £	2021 £
Current taxation		
Current tax on profits for the year	668,289	463,090
Adjustments in respect of previous periods	<u>(244)</u>	<u>1,233</u>
	<u>668,045</u>	<u>464,323</u>
Deferred taxation		
Origination and reversal of timing differences	(6,774)	(4,140)
Adjustments in respect of prior periods	191	1,112
Changes to tax rates	<u>(2,139)</u>	<u>3,549</u>
Total deferred taxation	<u>(8,722)</u>	<u>521</u>
Tax charge in the Statement of Comprehensive Income	<u>659,323</u>	<u>464,844</u>

The tax on profit for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

Notes to the Financial Statements

for the year ended 31 December 2022

10 Taxation (continued)

The differences are reconciled below:

	2022 £	2021 £
Profit before tax	<u>3,463,885</u>	<u>2,396,395</u>
Corporation tax at standard rate	658,138	455,315
Expenses not deductible	6,734	5,544
Income not taxable	(3,357)	(234)
Adjustments from previous periods	(53)	670
Tax rate changes	<u>(2,139)</u>	<u>3,549</u>
Total tax charge	<u>659,323</u>	<u>464,844</u>

Deferred tax is currently recognised at 19%. On 24 May 2021, a budget announcement made by the UK government was substantively enacted to increase the rate of corporation tax from 19% to 25% from April 2023 on profits over £250,000, as per the Finance Bill 2021.

11 Dividends

	2022 £	2021 £
Dividend paid	<u>-</u>	<u>3,000,000</u>

Notes to the Financial Statements

for the year ended 31 December 2022

12 Tangible assets

	<i>Leasehold improvements</i> £	<i>Plant and machinery</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost or valuation				
At 1 January 2022	814,284	1,063,895	11,272	1,889,451
Additions	<u>31,455</u>	<u>54,752</u>	<u>-</u>	<u>86,207</u>
At 31 December 2022	<u>845,739</u>	<u>1,118,647</u>	<u>11,272</u>	<u>1,975,658</u>
Depreciation				
At 1 January 2022	657,961	990,142	11,272	1,659,375
Charge for the year	<u>56,187</u>	<u>41,435</u>	<u>-</u>	<u>97,622</u>
At 31 December 2022	<u>714,148</u>	<u>1,031,577</u>	<u>11,272</u>	<u>1,756,997</u>
Carrying amount				
As at 31 December 2022	<u>131,591</u>	<u>87,070</u>	<u>-</u>	<u>218,661</u>
At 31 December 2021	<u>156,323</u>	<u>73,753</u>	<u>-</u>	<u>230,076</u>

13 Investments

	2022 £	2021 £
Investments in subsidiaries	<u>2</u>	<u>2</u>

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 2022

14 Stocks

	2022 £	2021 £
Raw materials and consumables	12,323,886	6,903,431
Work in progress	413,998	572,889
Finished goods	813,002	106,760
	<u>13,550,886</u>	<u>7,583,080</u>

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

15 Debtors

	Note	2022 £	2021 £
Trade debtors		8,899,606	5,481,977
Amounts owed by group undertakings	24	303,562	202,024
Other debtors		137,849	260,599
		<u>9,341,017</u>	<u>5,944,600</u>

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

16 Creditors: Amounts falling due within one year

	Note	2022 £	(Restated) 2021 £
Trade creditors		7,983,231	4,817,921
Amounts due to group undertakings	24	4,116,405	3,131,102
Corporation tax		306,407	25,846
Other taxation and social security		41,439	104,393
Other creditors		161,466	149,756
Accruals and deferred income		1,307,596	1,654,931
		<u>13,916,544</u>	<u>9,883,949</u>

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

Notes to the Financial Statements

for the year ended 31 December 2022

16 Creditors: Amounts falling due within one year (continued)

Prior year restatement

There were amounts due to group undertakings included within both trade creditors and accruals and deferred income in the prior year. These amounts have been reclassified in the note above, with amounts due to group undertakings increasing by £1.8m to £3.1m, and trade creditors and accruals and deferred income decreasing by £0.7m to £4.8m and £1.1m to £1.7m, respectively.

17 Creditors: Due after more than one year

	2022 £	2021 £
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 £11,253 was paid in the year (2021 - £6,490).

18 Financial instruments

	2022 £	2021 £
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	9,037,455	5,742,576
Amounts owed by group undertakings	303,562	202,024
	<u>9,341,019</u>	<u>5,944,602</u>

Notes to the Financial Statements

for the year ended 31 December 2022

18 Financial instruments (continued)

	2022	(Restated)* 2021
	£	£
Financial liabilities		
Financial liabilities measured as amortised cost - liability component of preference shares	104,680	104,680
Financial liabilities measured at amortised cost - trade and other creditors	8,144,697	4,967,677
Financial liabilities measured at amortised cost - accruals	1,307,596	1,654,931
Amounts owed to group undertakings	4,116,405	3,131,102
	<u>13,673,378</u>	<u>9,858,390</u>

*Please see note 16.

19 Deferred tax

	Deferred tax £
At 1 January 2022	(14,785)
Adjustment in respect of prior periods	(191)
Credited in Statement of Comprehensive Income	8,913
	<u>-</u>
At 31 December 2022	<u>(6,063)</u>

The provision for deferred taxation is made up as follows:

	2022	2021
	£	£
Fixed asset timing differences	(39,802)	(45,165)
Short term timing differences - trading	33,739	30,380
	<u>(6,063)</u>	<u>(14,785)</u>

Notes to the Financial Statements

for the year ended 31 December 2022

20 Share capital

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

	2022		2021	
	No.	£	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

	2022		2021	
	No.	£	No.	£
Preference shares of £0.10 each	<u>1,046,799</u>	<u>£104,680</u>	<u>1,046,799</u>	<u>£104,680</u>

21 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.

22 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 6) represents contributions payable by the Company to the fund and amounted to £125,280 (2021 - £105,752). The unpaid contributions outstanding at the year end were £21,902 (2021 - £17,232).

Notes to the Financial Statements

for the year ended 31 December 2022

23 Obligations under operating leases

The Company had future minimum lease payments under operating leases as follows:

	2022 £	2021 £
Land and buildings		
Not later than one year	145,833	142,500
Later than one year and not later than five years	<u>540,000</u>	<u>540,000</u>
	<u>685,833</u>	<u>682,500</u>
	2022 £	2021 £
Other		
Not later than one year	23,646	6,153
Later than one year and not later than five years	<u>20,981</u>	<u>19,776</u>
	<u>44,627</u>	<u>25,929</u>

24 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 2022, 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				
2022	250,776	9,868,208	303,562	4,116,405
2021	<u>364,707</u>	<u>8,788,051</u>	<u>202,024</u>	<u>3,131,102</u>

Notes to the Financial Statements

for the year ended 31 December 2022

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.