

Registration number: SC081670

# **Clarke Fire Protection Products Limited**

## **Annual Report and Financial Statements**

For the year ended 31 December 2020



COMPANIES HOUSE  
**16 SEP 2021**  
EDINBURGH MAILBOX

## Clarke Fire Protection Products Limited

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

## Clarke Fire Protection Products Limited

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# Strategic Report

for the year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

### Fair review of the business

Going into 2020 the Company was quietly confident that we would continue to increase our turnover and grow our business globally which has been the trend for the last 10 years.

However, Covid-19 brought this plan to an abrupt halt and from closing our facility in Scotland for 3 weeks in March due to the 1st lockdown it was obvious thereafter that this was going to be a challenging year to keep our business stable never mind grow it.

Turnover in 2020 was £33,585,409, £5.2m down from our 2019 figure of £38,796,578. Our Engine Sales in 2020 was 3,114 compared to 3,742 from 2019 - a decrease of 628 engines. Even though our 2020 turnover and sales numbers were down our margin increased by 1.3% (2020: 24.4% & 2019: 23.1%).

The uncertainty of how Brexit would affect our business was superseded by Covid-19 and although the turnover is down the situation could have been much worse but for the efforts of all in the Company who pulled together under strict Covid-19 working practices and supply constraints to get us through what was a tough year.

Going forward the situation with Covid-19 is improving due to the vaccine roll out. However, 2021 will still see effects of the pandemic with increased raw material costs, manufacturing delays, shortage of shipping containers all resulting in increased costs which will have a negative impact on our business. Our challenge is to negate this impact as best we can.

With all the challenges of 2020 the Board of Directors in the USA were satisfied with our performance and are understanding of the challenges facing us in 2021.

### 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.

Clarke Fire Protection Products Limited

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## Strategic Report

for the year ended 31 December 2020

Approved by the Board August 19, 2021 and signed on its behalf by:

DocuSigned by:

...John Blackwood.....

John Blackwood

Director

## Clarke Fire Protection Products Limited

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### **Directors' Report** for the year ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £2,024,520 (2019: £2,035,287).

During the year the Company paid a dividend of £2,000,000 (2019: £750,000).

#### **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 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 pandemic had an impact on the Company's operational results and cashflows at the outset in March 2020. Clarke saw disruption to its sales and operations from March 2020 to June 2020 as a result of government implemented lockdowns. The Company itself shut down production beginning March 23rd and reopened production with a phased and managed return on April 14th after ensuring appropriate workplace health and safety measures. It was during this period that the Company confirmed that it fell into a category of "Critical Industry," and issued all employees with Key Work Letters. The Company utilised the UK Government's Coronavirus Job Retention Scheme and furloughed a number of staff where it was not possible for them to work effectively from home.

In assessing the prospects of the business for going concern purposes, the Directors have considered forecasts prepared by management for the period to 31 August 2022. These forecasts include a base case and a sensitivity to reflect a reduction in revenue over the forecast period and consider the potential ongoing impacts of COVID-19 on the business. In making this assessment, the Directors have identified potential mitigating actions that could be taken to preserve liquidity, which include, but are not limited to, reducing future dividend payments and CAPEX. The analysis undertaken by management, combined with the actions taken, including furloughing staff and reducing CAPEX, allow the Directors to conclude that the company is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to meet its liabilities as they fall due to 31 August 2022. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## Clarke Fire Protection Products Limited

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### Directors' Report

for the year ended 31 December 2020

#### 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 ~~August 19, 2021~~ and signed on its behalf by:

DocuSigned by:

...John Blackwood.....

John Blackwood

Director

## Clarke Fire Protection Products Limited

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### 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.

## Clarke Fire Protection Products Limited

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# 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 2020, 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 2020 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.

### 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.

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.



## Clarke Fire Protection Products Limited

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### **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 there is 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 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 6, 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.

## Clarke Fire Protection Products Limited

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# 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.

Our approach was as follows:

- 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 the relevant tax compliance regulations in the UK and Ireland;
- 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 and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business and a review of board minutes to identify any non-compliance with laws and regulations.

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

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**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

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

5 George Square  
Glasgow  
G1 2DY

Date: August 19, 2021  
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## Clarke Fire Protection Products Limited

## Statement of Comprehensive Income

for the year ended 31 December 2020

	<i>Note</i>	2020 £	2019 £
Turnover	3	33,585,409	38,796,578
Cost of sales		<u>(25,399,263)</u>	<u>(29,848,946)</u>
<b>Gross profit</b>		<b>8,186,146</b>	<b>8,947,632</b>
Administrative expenses		(5,877,731)	(6,419,528)
Other operating income	4	<u>201,546</u>	<u>-</u>
<b>Operating profit</b>	5	<b>2,509,961</b>	<b>2,528,104</b>
Interest receivable and similar income	8	2,909	6,144
Interest payable and expenses	9	<u>(6,490)</u>	<u>(7,851)</u>
<b>Profit before tax</b>		<b>2,506,380</b>	<b>2,526,397</b>
Tax on profit	10	<u>(481,860)</u>	<u>(491,110)</u>
<b>Profit for the financial year</b>		<b><u>2,024,520</u></b>	<b><u>2,035,287</u></b>

The above results were derived from continuing operations.

There were no recognised gains or losses for the 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 15 to 28 form an integral part of these financial statements.


## Clarke Fire Protection Products Limited

# Balance Sheet

as at 31 December 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	12	259,736	298,860
Investments	13	<u>2</u>	<u>2</u>
		<u>259,738</u>	<u>298,862</u>
<b>Current assets</b>			
Stocks	14	7,519,081	7,068,726
Debtors	15	5,637,201	7,683,486
Cash at bank and in hand		<u>5,944,411</u>	<u>3,286,683</u>
		19,100,693	18,038,895
<b>Creditors: Amounts falling due within one year</b>	16	<u>(9,864,548)</u>	<u>(8,872,945)</u>
<b>Net current assets</b>		<u>9,236,145</u>	<u>9,165,950</u>
<b>Total assets less current liabilities</b>		<b>9,495,883</b>	<b>9,464,812</b>
<b>Creditors: Amounts falling due after more than one year</b>	17	(104,680)	(104,680)
<b>Provisions for liabilities</b>			
Deferred tax	19	<u>(14,264)</u>	<u>(7,713)</u>
<b>Net assets</b>		<u><b>9,376,939</b></u>	<u><b>9,352,419</b></u>
<b>Capital and reserves</b>			
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>9,116,619</u>	<u>9,092,099</u>
<b>Total shareholders funds</b>		<u><b>9,376,939</b></u>	<u><b>9,352,419</b></u>

The financial statements were approved and authorised for issue by the Board on August 19, 2021 and signed on its behalf by:

DocuSigned by:  
  
 29B45124456E4FA...  
 John Blackwood  
 Director

The notes on pages 15 to 28 form an integral part of these financial statements.

## Clarke Fire Protection Products Limited

## Statement of Changes in Equity

for the year ended 31 December 2020

	<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 2019	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)
<b>At 31 December 2019</b>	<b>6,431</b>	<b>153,889</b>	<b>100,000</b>	<b>9,092,099</b>	<b>9,352,419</b>
Profit for the year	-	-	-	2,024,520	2,024,520
Total comprehensive income	-	-	-	2,024,520	2,024,520
Dividends	-	-	-	(2,000,000)	(2,000,000)
<b>At 31 December 2020</b>	<b>6,431</b>	<b>153,889</b>	<b>100,000</b>	<b>9,116,619</b>	<b>9,376,939</b>

The notes on pages 15 to 28 form an integral part of these financial statements.

## Clarke Fire Protection Products Limited

# Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		2,509,961	2,528,104
Depreciation	5	112,892	107,156
Decrease/(increase) in debtors		2,046,285	(752,874)
Increase in stocks		(450,355)	(987,604)
Increase in creditors		959,329	998,962
Corporation tax paid		(443,035)	(435,538)
<b>Net cash inflow from operating activities</b>		<b>4,735,077</b>	<b>1,458,206</b>
<b>Cash flows used in investing activities</b>			
Interest received	8	2,909	6,144
Acquisitions of tangible assets	12	(73,768)	(62,607)
<b>Net cash flows used in investing activities</b>		<b>(70,859)</b>	<b>(56,463)</b>
<b>Cash flows used in financing activities</b>			
Interest paid	9	(6,490)	(7,851)
Equity dividend paid	11	(2,000,000)	(750,000)
<b>Net cash flows used in financing activities</b>		<b>(2,006,490)</b>	<b>(757,851)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,657,728</b>	<b>643,892</b>
Cash and cash equivalents at 1 January		3,286,683	2,642,791
<b>Cash and cash equivalents at 31 December</b>		<b>5,944,411</b>	<b>3,286,683</b>

The notes on pages 15 to 28 form an integral part of these financial statements.

## Clarke Fire Protection Products Limited

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# Notes to the Financial Statements

for the year ended 31 December 2020

### 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.



## Clarke Fire Protection Products Limited

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# Notes to the Financial Statements

## for the year ended 31 December 2020

### 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 pandemic had an impact on the Company's operational results and cashflows at the outset in March 2020. Clarke saw disruption to its sales and operations from March 2020 to June 2020 as a result of government implemented lockdowns. The Company itself shut down production beginning March 23rd and reopened production with a phased and managed return on April 14th after ensuring appropriate workplace health and safety measures. It was during this period that the Company confirmed that it fell into a category of "Critical Industry," and issued all employees with Key Work Letters. The Company utilised the UK Government's Coronavirus Job Retention Scheme and furloughed a number of staff where it was not possible for them to work effectively from home.

In assessing the prospects of the business for going concern purposes, the Directors have considered forecasts prepared by management for the period to 31 August 2022. These forecasts include a base case and a sensitivity to reflect a reduction in revenue over the forecast period and consider the potential ongoing impacts of COVID-19 on the business. In making this assessment, the Directors have identified potential mitigating actions that could be taken to preserve liquidity, which include, but are not limited to, reducing future dividend payments and CAPEX. The analysis undertaken by management, combined with the actions taken, including furloughing staff and reducing CAPEX, allow the Directors to conclude that the company is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to meet its liabilities as they fall due to 31 August 2022. 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.

## Clarke Fire Protection Products Limited

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# Notes to the Financial Statements

## for the year ended 31 December 2020

### 2 Accounting policies (continued)

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.

#### **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.

## Clarke Fire Protection Products Limited

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# Notes to the Financial Statements

## for the year ended 31 December 2020

### 2 Accounting policies (continued)

#### **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 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.

## Clarke Fire Protection Products Limited

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### Notes to the Financial Statements for the year ended 31 December 2020

#### 2 Accounting policies (continued)

##### *Government grants*

The Company receives 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. In 2020, the Company claimed grants through the government's Coronavirus Job Retention Scheme.

#### 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:

	2020 £	2019 £
UK	5,832,081	5,959,808
USA	324	4,857
Europe	21,127,255	23,512,624
Rest of world	<u>6,625,749</u>	<u>9,319,289</u>
	<u><u>33,585,409</u></u>	<u><u>38,796,578</u></u>

#### 4 Other operating income

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

	2020 £	2019 £
Government grants	<u><u>201,546</u></u>	<u><u>-</u></u>

## Clarke Fire Protection Products Limited

### Notes to the Financial Statements for the year ended 31 December 2020

#### 5 Operating profit

Arrived at after charging

	2020 £	2019 £
Auditor's remuneration - audit services	33,000	25,000
Auditor's remuneration - non-audit services (tax compliance)	12,265	11,000
Auditor's remuneration - non audit services (accounts preparation)	7,440	6,000
Depreciation of tangible fixed assets	112,892	107,156
Research and development cost	6,680	5,310
Operating lease expense - land and buildings	112,500	105,000
Operating lease expense - plant and machinery	7,438	4,571
Net exchange (gain)/loss on trading activities	<u>(92,062)</u>	<u>293,916</u>

#### 6 Staff costs

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

	Note	2020 £	2019 £
Wages and salaries		2,198,622	2,105,581
Social security costs		234,655	219,351
Pension costs, defined contribution scheme	22	<u>97,357</u>	<u>97,353</u>
		<u>2,530,634</u>	<u>2,422,285</u>

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

	2020 No.	2019 No.
Administration	31	27
Manufacturing	<u>43</u>	<u>48</u>
	<u>74</u>	<u>75</u>

## Clarke Fire Protection Products Limited

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### Notes to the Financial Statements for the year ended 31 December 2020

#### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Directors' emoluments	164,074	179,144
Directors' pension costs	6,604	7,383
	<u>170,678</u>	<u>186,527</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 (2019- 1).

#### 8 Interest receivable and similar income

	2020 £	2019 £
Bank interest received	<u>2,909</u>	<u>6,144</u>

#### 9 Interest payable and expenses

	2020 £	2019 £
3% preference dividend	<u>6,490</u>	<u>7,851</u>

#### 10 Taxation

Tax charged in the Statement of Comprehensive Income

	2020 £	2019 £
<b>Current taxation</b>		
Current tax on profits for the year	484,523	498,347
Adjustments in respect of previous periods	<u>(9,214)</u>	<u>8,068</u>
	<u>475,309</u>	<u>506,415</u>

## Clarke Fire Protection Products Limited

## Notes to the Financial Statements

for the year ended 31 December 2020

### 10 Taxation (continued)

	2020 £	2019 £
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(3,570)	(8,433)
Changes to tax rates	1,877	888
Adjustments in respect of prior periods	8,244	(7,760)
Total deferred taxation	6,551	(15,305)
<b>Tax expense in the Statement of Comprehensive Income</b>	<b>481,860</b>	<b>491,110</b>

The tax on profit for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	2,506,380	2,526,397
Corporation tax at standard rate	476,212	480,015
Expenses not deductible	8,080	9,899
Adjustments from previous periods	(4,309)	308
Tax rate changes	1,877	888
<b>Total tax charge</b>	<b>481,860</b>	<b>491,110</b>

Deferred tax is currently recognised at 19%. On 11 March 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. This is a non-adjusting post balance sheet event.

### 11 Dividends

	2020 £	2019 £
Dividend Paid	2,000,000	750,000

## Clarke Fire Protection Products Limited

## Notes to the Financial Statements

for the year ended 31 December 2020

### 12 Tangible assets

	<i>Leasehold improvements</i> £	<i>Plant and machinery</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
<b>Cost or valuation</b>				
At 1 January 2020	730,435	990,429	11,272	1,732,136
Additions	<u>25,924</u>	<u>47,844</u>	<u>-</u>	<u>73,768</u>
At 31 December 2020	<u>756,359</u>	<u>1,038,273</u>	<u>11,272</u>	<u>1,805,904</u>
<b>Depreciation</b>				
At 1 January 2020	547,574	874,430	11,272	1,433,276
Charge for the year	<u>56,107</u>	<u>56,785</u>	<u>-</u>	<u>112,892</u>
At 31 December 2020	<u>603,681</u>	<u>931,215</u>	<u>11,272</u>	<u>1,546,168</u>
<b>Carrying amount</b>				
At 31 December 2020	<u>152,678</u>	<u>107,058</u>	<u>-</u>	<u>259,736</u>
At 31 December 2019	<u>182,861</u>	<u>115,999</u>	<u>-</u>	<u>298,860</u>

### 13 Investments

	2020 £	2019 £
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.



## Clarke Fire Protection Products Limited

## Notes to the Financial Statements

for the year ended 31 December 2020

### 14 Stocks

	2020 £	2019 £
Raw materials and consumables	6,768,429	6,475,272
Work in progress	291,885	375,241
Finished goods	458,767	218,213
	<u>7,519,081</u>	<u>7,068,726</u>

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

### 15 Debtors

	Note	2020 £	2019 £
Trade debtors		4,950,842	6,779,860
Amounts owed by group undertakings	24	202,024	202,024
Other debtors		484,335	701,602
		<u>5,637,201</u>	<u>7,683,486</u>

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

### 16 Creditors: Amounts falling due within one year

	Note	2020 £	2019 £
Trade creditors		5,380,454	4,296,481
Amounts due to group undertakings	24	2,215,764	2,301,422
Corporation tax		252,306	220,032
Other taxation and social security		25,493	92,691
Other creditors		124,838	106,339
Accruals and deferred income		1,865,693	1,855,980
		<u>9,864,548</u>	<u>8,872,945</u>

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

## Clarke Fire Protection Products Limited

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### Notes to the Financial Statements for the year ended 31 December 2020

#### 17 Creditors: Due after more than one year

	2020 £	2019 £
Preference shares	<u>104,680</u>	<u>104,680</u>

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 £6,490 was paid in the year (2019 - £7,851).

#### 18 Financial instruments

	2020 £	2019 £
<b>Financial assets</b>		
Financial assets that are equity instruments measured at cost less impairment	2	2
Financial assets that are debt instruments measured at amortised cost - debtors	5,435,177	7,481,462
Amounts owed by group undertakings	<u>202,024</u>	<u>202,024</u>
	<u>5,637,203</u>	<u>7,683,488</u>

## Clarke Fire Protection Products Limited

## Notes to the Financial Statements

for the year ended 31 December 2020

### 18 Financial instruments (continued)

	2020 £	2019 £
<b>Financial liabilities</b>		
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	5,505,292	4,402,820
Financial liabilities measured at amortised cost - accruals	1,865,693	1,855,980
Amounts owed to group undertakings	2,215,764	2,301,422
	<u>9,691,429</u>	<u>8,664,902</u>

### 19 Deferred tax

	Deferred tax £
At 1 January 2020	(7,713)
Adjustment in respect of prior periods	(8,244)
Credited in Statement of Comprehensive Income	<u>1,693</u>
At 31 December 2020	<u>(14,264)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(35,020)	(37,055)
Short term timing differences - trading	<u>20,756</u>	<u>29,342</u>
	<u>(14,264)</u>	<u>(7,713)</u>

### 20 Share capital

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

	No.	2020 £	No.	2019 £
Ordinary shares of £0.10 each	<u>64,313</u>	<u>6,431</u>	<u>64,313</u>	<u>6,431</u>

## Clarke Fire Protection Products Limited

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### Notes to the Financial Statements for the year ended 31 December 2020

#### 20 Share capital (continued)

##### *Allotted, called up and fully paid shares*

	2020		2019	
	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 5) represents contributions payable by the Company to the fund and amounted to £97,357 (2019 - £97,353). The unpaid contributions outstanding at the year end were £14,112 (2019 - £14,291).

#### 23 Obligations under operating leases

At 31 December 2020 the Company had future minimum lease payments under operating leases as follows:

	2020	2019
	£	£
<b>Land and buildings</b>		
Not later than one year	165,000	105,000
Later than one year and not later than five years	<u>325,000</u>	<u>350,000</u>
	<u>490,000</u>	<u>455,000</u>

## Clarke Fire Protection Products Limited

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### Notes to the Financial Statements for the year ended 31 December 2020

#### 23 Obligations under operating leases (continued)

	2020 £	2019 £
<b>Other</b>		
Not later than one year	5,950	3,650
Later than one year and not later than five years	<u>18,666</u>	<u>8,522</u>
	<u>24,616</u>	<u>12,172</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 2020, 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> £
<b>Clarke Fire Protection Products Inc. Parent undertaking</b>				
2020	209,307	7,583,369	202,024	2,215,764
2019	<u>103,625</u>	<u>9,476,696</u>	<u>202,024</u>	<u>2,301,422</u>

#### 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.