

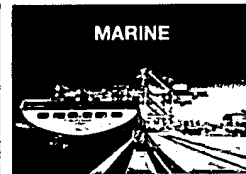
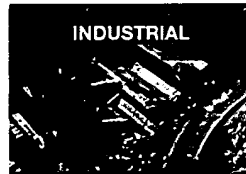
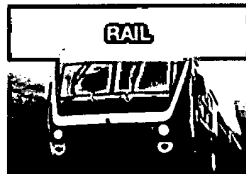
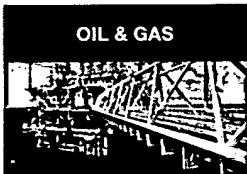
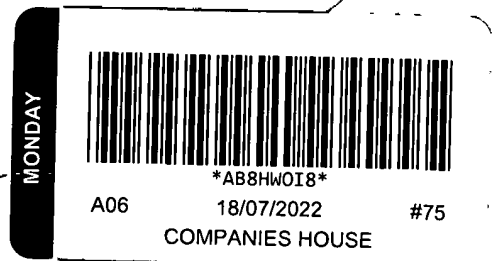


RS Clare & Co Ltd

Innovation since 1748

Financial statements R S Clare & Co Limited

For the year ended 31st December 2021



RS Clare & Co Ltd
8-14 Stanhope Street | Liverpool | L8 5RQ | ENGLAND

Company No 00072349

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w. www.rsclare.com
e. info@rsclare.co.uk

Company information

Company registration number	00072349
Registered office	8 Stanhope Street Liverpool L8 5RQ
Directors	M Branca R S Higgin D Meadows R I S Meadows OBE, FLJMU (Chairman) J Tiernan
Bankers	HSBC Bank plc 99-101 Lord Street Liverpool L2 6PG
Auditor	Haines Watts Liverpool Limited Statutory Auditor Chartered Accountants 3 rd Floor Pacific Chambers 11-13 Victoria Street Liverpool L2 5QQ
Solicitors	Brabners LLP Horton House Exchange Flags Liverpool L2 3YL

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Strategic report

Review of the business

Turnover in the year was £21.2m (4.1% increase on 2020) with an average gross profit margin of 29.5% (2020: 31.5%) and a net profit margin of 17.7% (2020: 20.2%). The post-tax profit of £3.7m (2020: £4.1m) decreased slightly on the previous year.

Total equity has decreased to £21.5m (2020: £23.8m) due to the declaration of an extraordinary dividend of £5m payable parent company RS Clare Holdings Limited at the year end. The cash position has continued to strengthen with cash equivalents and amounts on deposit rising from £14.0m to £15.9m.

2021 was another solid year navigating our way through the ongoing and ever-changing challenges of the COVID pandemic. Sales revenues were up year on year in all our main strategic divisions, but margins were put under considerable pressure due to the rapid increase in raw materials and ongoing global supply chain and logistical issues. Our employees have adapted quickly to the varying challenges which has ensured that we have been able to continually supply our customers whilst prioritising the safety and health of our employees.

In 2021 our investment into new capital projects in our Liverpool facility continued, increasing production capacity and efficiencies which is viewed as fundamental in ensuring our capability to deliver against our strategic business objectives.

In line with our core company strategy, company values and growing expectations from our customers, sustainability considerations in all our business activity and processes are of increasing importance. We are committed to implementing sustainable best practices to minimise the impact of our business on the environment.

The company challenges itself with continual improvement, whilst operating to high safety standards. These include internationally recognised ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and each of these business elements are taken very seriously at all levels. Health, Safety and Environmental matters are reported and reviewed at every Board Meeting.

Our Board recognises that in markets where dynamic changes occur in ever faster business cycles, continued sustainability is hard-won and may require the periodical, short-term sacrifice of some profitability for longer-term strength and growth. Nonetheless, the company today is cash generative and enjoys the benefit of a relatively healthy and strengthening balance sheet. It is therefore well-placed to confidently make the right decisions for the right reasons going forward.

Future developments

Looking forward we see strong demand for our products in our key markets and expectations are for a strong start to the next financial year. Supply chain and logistical challenges are expected to present ongoing challenges, but we are confident of achieving our strategic growth goals in 2022.

The business plans for the company are being executed according to its growth strategy and opportunities for acquisition and strategic partnerships continue to be sought to complement organic growth.

Strategic report

Principal risks and uncertainties

RS Clare's diverse portfolio of products, markets and regions coupled with our strong performance and financial position means the business is well positioned to grow despite several current risks and uncertainties. Comprehensive contingency plans were in place and reviewed throughout the year by the Directors to mitigate risk.

Risks associated with business disruption due to the Covid-19 pandemic have reduced but remain a real and present challenge. Weaknesses in the global supply chain model are apparent as availability and lead-times for many key raw materials extend (with associated cost increases). Indeed, there is a supply-side volatility today that might also be described as unprecedented in at least a generation. It remains the opinion of management and the Boards that the group has a level of planning and resilience such that it can continue to grow despite the adverse conditions.

Financial risk management objectives and policies

The company uses various financial instruments; these include finance leases, cash and various items, such as trade debtors and trade creditors that arise directly from its operations.

The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below.

The main risks arising from the company's financial instruments are currency risk, interest rate risk, credit risk, cash flow risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

The company is exposed to transaction foreign exchange risk due to a significant portion of turnover relating to export sales. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. The Company applies hedge accounting for some long dated forward contracts.

Credit risk

The company's principal financial assets are cash and trade debtors. A cautious approach is taken to the granting of credit, and debtors are insured when considered appropriate.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed by the financial controller on a regular basis in conjunction with debt ageing and collection history.

Liquidity and cash flow risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility would be achieved by overdraft facilities if considered necessary.

Price risk

The group regularly monitors purchase prices and takes available market actions to mitigate this risk.

Strategic report

Key performance indicators

The company uses a suite of financial and non-financial KPI's to closely monitor business performance against its strategic objectives. These indicators provide targets for the business to aim for, gauge progress and help employees and Directors of the organisation make better decisions. The directors use the following Key Performance Indicators:

Financial: Gross/net profit as a percentage of turnover
Non-financial: Employee Numbers

Approved on behalf of the Board of Directors



D Meadows
Managing Director

8th June 2022

Report of the directors

The directors present their report together with the financial statements for the year ended 31 December 2021. These financial statements have been prepared on a going concern basis.

Principal activity

The company is engaged in the manufacture and sale of specialist greases and surface coating products.

Result for the year

There was a profit for the year after taxation amounting to £3,766,635 (2020: £4,110,910). A dividend of £5,850,000 (2020: £825,000) was paid during the year.

Matters of strategic performance

The financial risk management objectives section and the future developments section required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with section 414C (11) of the Companies Act 2006.

Directors

The directors in office during the year are listed below.

N L Biddle (resigned 29 June 2021)

M Branca

R Coldwell (resigned 31 December 2021)

R S Higgin

D Meadows (Managing Director, appointed 31 December 2021)

R I S Meadows OBE, FLJMU (Chairman)

J Tiernan (appointed 23 September 2021)

P Vann (resigned 31 December 2021)

Research and development

The company continues to invest in technology, research and development aligned with its strategic business goals. The development of environmentally friendly products and solutions is prioritised in our programs of work. During 2021, further investments in chemical, quality and applications testing equipment will be made to ensure the Technical Centre remains optimally equipped to support innovative product development.

Streamlined Energy and Carbon Reporting

The company is exempt from Streamlined Energy and Carbon Reporting as it does not meet reporting requirements.

Report of the directors

Statement of directors' responsibilities

The directors are responsible for preparing the Company Strategic Report and the Report of the Directors 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 those financial statements, the directors are required to:

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

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

Statement as to disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

The Auditor, Haines Watts Liverpool Limited will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD



D Meadows
Managing Director

8th June 2022

Report of the independent auditors to the members of R S Clare & Co Limited

Opinion

We have audited the financial statements of RS Clare & Co Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and notes to the financial statements, 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 Financial Reporting Standard 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 2021 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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 at least twelve 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, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and wider economy. The Directors' view on the impact of COVID-19 is disclosed on page 4 of the Strategic Report.

Report of the independent auditors to the members of R S Clare & Co Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

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 by the company, 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.

Report of the independent auditors to the members of R S Clare & Co Limited

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 the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
- Inquiring of management and those charged with governance about any known actual, suspected or alleged fraud;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Challenging assumptions and judgements made by management in its significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries with unusual characteristics or posted by senior management; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Despite the audit being planned and conducted in accordance with ISAs (UK) there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very nature, any such instances of fraud or irregularity likely involve collusion, forgery, intentional representations, or the override of internal controls.

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

Report of the independent auditors to the members of R S Clare & Co 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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



MICHAEL FORSHAW (Senior Statutory Auditor)
For and on behalf of Haines Watts Liverpool
Statutory Auditor
3rd Floor, Pacific Chambers
11-13 Victoria Street, Liverpool
L2 5QQ

8th June 2022

Statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	2	21,225,139	20,393,131
Cost of sales		<u>(14,960,096)</u>	<u>(13,959,583)</u>
Gross profit		6,265,043	6,433,548
Distribution costs		(1,036,752)	(1,071,117)
Administrative expenses		(1,391,677)	(1,271,423)
Other operating income		<u>248,054</u>	<u>231,731</u>
Operating profit		4,084,668	4,322,739
Dividend income		343,112	428,890
Interest receivable and similar income	3	15,650	46,230
Interest payable and similar charges	4	<u>(172)</u>	<u>(138)</u>
Profit before taxation	2	4,443,258	4,797,721
Taxation	6	<u>(676,623)</u>	<u>(686,811)</u>
Profit after taxation and profit for the year		3,766,635	4,110,910
OTHER COMPREHENSIVE INCOME (net of tax)			
Cash flow hedges			
- Change in fair value of derivatives		(44,176)	249,567
- Reclassifications to profit and loss		(152,688)	-
- Deferred tax credit/(charge)		34,169	(47,418)
Deferred tax charge on revaluation of land and buildings		<u>(957)</u>	<u>(294)</u>
Total comprehensive income for the year		<u>3,602,983</u>	<u>4,312,765</u>

Statement of financial position As at 31 December 2021

	Note	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	8		5,126		12,394
Tangible assets	9		5,712,850		5,706,468
Investments	10		29,442		29,442
			<u>5,747,418</u>		<u>5,748,304</u>
Current assets					
Stocks	11	3,993,674		3,246,202	
Debtors	12	3,672,904		2,776,106	
Cash at bank and in hand		<u>15,926,851</u>		<u>13,964,259</u>	
		<u>23,593,429</u>		<u>19,986,567</u>	
Current liabilities					
Creditors: amounts falling due within one year	13	<u>(7,145,201)</u>		<u>(1,407,757)</u>	
Net current assets			<u>16,448,228</u>		<u>18,578,810</u>
Total assets less current liabilities			<u>22,195,646</u>		<u>24,327,114</u>
Provisions for liabilities	14		(540,484)		(412,844)
Government grants	15		(108,726)		(120,817)
			<u>21,546,436</u>		<u>23,793,453</u>
Capital and reserves					
Called up share capital	16		250,000		250,000
Profit and loss account	16		21,244,315		23,327,390
Cash flow hedge reserve	16		39,454		202,149
Revaluation reserve	16		12,667		13,914
Total equity			<u>21,546,436</u>		<u>23,793,453</u>

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board of Directors on 8th June 2022, and are signed on its behalf by:

R I S Meadows OBE, FLJMU  Chairman

D Meadows  Director

Statement of changes in equity for the year ended 31 December 2021

	Note	Share capital £	Cash flow hedge reserve £	Revaluation reserve £	Profit and loss account £	Total £
Balance at 1 January 2020		250,000	-	14,498	20,041,190	20,305,688
Profit for the year		-	-	-	4,110,910	4,110,910
Other comprehensive income, net of tax:-						
Change in fair value of derivatives		-	249,567	-	-	249,567
Deferred tax credit/(charge)		-	(47,418)	(294)	-	(47,712)
Total comprehensive income for the year		-	202,149	(294)	4,110,910	4,312,765
Transactions with owners in their capacity as owners:-						
Dividends	7	-	-	-	(825,000)	(825,000)
Total transactions with owners in their capacity as owners		-	-	-	(825,000)	(825,000)
Transfers		-	-	(290)	290	-
Balance at 31 December 2020		250,000	202,149	13,914	23,327,390	23,793,453
Profit for the year		-	-	-	3,766,635	3,766,635
Other comprehensive income, net of tax:-						
Change in fair value of derivatives		-	(44,176)	-	-	(44,176)
Reclassifications to profit and loss		-	(152,688)	-	-	(152,688)
Deferred tax credit/(charge)		-	34,169	(957)	-	33,212
Total comprehensive income for the year		-	(162,695)	(957)	3,766,635	3,602,983
Transactions with owners in their capacity as owners:-						
Dividends	7	-	-	-	(5,850,000)	(5,850,000)
Total transactions with owners in their capacity as owners		-	-	-	(5,850,000)	(5,850,000)
Transfers		-	-	(290)	290	-
Balance at 31 December 2021		250,000	39,454	12,667	21,244,315	21,546,436

Notes to the financial statements

Principal accounting policies

General information

RS Clare & Co Limited (“the Company”) is a private company limited by shares and is registered, domiciled and incorporated in England.

The address of the Company’s registered office and principal place of business is 8 Stanhope Street, Liverpool, L8 5RQ.

The Company’s principal activities are included in the Report of the Directors.

Monetary amounts are rounded to the nearest whole £ except where otherwise stated.

Functional and presentational currency

The financial statements are presented in sterling which is also the functional currency of the company.

Basis of accounting

These financial statements have been prepared in accordance with FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102) and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and certain financial instruments at fair value.

Reduced disclosure exemptions

The Company has taken advantage of the exemptions from the following disclosure requirements as permitted by the *reduced disclosure regime* within FRS 102;

- Section 7 ‘Statement of Cash Flows’ – Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 ‘Basic Financial Instruments’ & Section 12 ‘Other Financial Instrument Issues’.

Group accounts

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic, the Directors have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these

Notes to the financial statements

Going concern (continued)

assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the Directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

Turnover

The turnover is the total amount receivable by the company for goods supplied, excluding VAT and trade discounts. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership has transferred to the buyer.

Intangible fixed assets

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their expected useful lives, as follows:-

Purchased computer software	35% on cost
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The useful life of purchased computer software is deemed to be the length of time until an upgrade is required. Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost or valuation less residual value of all tangible fixed assets excluding land and assets under construction, over their expected useful lives. The terms generally applicable are:

Freehold buildings	2% on cost or valuation
Motor vehicles	25% on cost
Plant and machinery	
Mobile plant	20% on cost
Fixed plant	10% on cost
Fixtures, fittings, tools and equipment	
Office equipment	20% on cost
Computer equipment	35% on cost
Freehold land	Not depreciated
Assets under construction	Not depreciated

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Notes to the financial statements

Revaluation of properties

Land and buildings whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity, such gains and loss are recognised in profit or loss.

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired.

Related parties

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Operating leases (as a lessee)

Operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Operating leases (as a lessor)

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease.

Investments

Investments are included at cost, less any provision for impairment.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment provision or reversals of impairment provisions are recognised immediately in profit or loss.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a moving average basis and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated

Notes to the financial statements

Stocks (continued)

selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. For non-depreciable assets measured using the revaluation model deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset. The holiday year for the company ends at the reporting date and employees are not entitled to carry forward unused holiday.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Notes to the financial statements

Foreign currencies (continued)

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Retirement benefits

Pension costs relating to the defined contribution scheme represent the contributions payable by the company.

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either current assets or current liabilities.

Government grants

Income from government grants is presented within other operating income. Grants relating to assets are classified as deferred income and recognised in income over the expected useful life of the asset to which they relate. Government grants relating to revenue are recognised as income over the periods when the related costs are incurred.

Research and development

Research and development expenditure is written off as incurred.

Dividends

If the Company declares dividends to the holders of equity instruments after the balance sheet date, the Company does not recognise those dividends as a liability at the balance sheet date. Dividends are charged direct to equity. Dividends are recognised as liabilities once they are no longer at the discretion of the company.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements

Financial instruments (continued)

Financial assets

Trade and other debtors

Trade and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash

flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade and other creditors

Trade and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost, being transaction price less any amounts settled and the cumulative amortisation (using the effective interest method) of any difference between the amount at initial recognition and the maturity amount. The effective interest rate is the rate that discounts estimated future cash payments to the carrying amount of the financial liability.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements

Financial instruments (continued)

Hedge accounting

The Company applies hedge accounting to some long dated forward contracts to manage the exchange risk on foreign currency receivables. Forward contracts are designated as cash flow hedges of highly probable forecast transactions.

Changes in the fair values of forward contracts designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in other comprehensive income.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

Notes to the financial statements

1 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

The following judgements, apart from those involving estimates, have had the most significant effect on amounts recognised in the financial statements.

Classification of leases

The Company has entered into commercial leases as a lessee on property and plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Critical accounting estimates

The company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following accounting estimates are considered to be a key source of estimation uncertainty.

Valuation of properties

Properties owned by the company are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation. The fair value of land and buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

2 Turnover and profit before tax

An analysis of turnover by geographical market is given below:

	2021	2020
	£	£
United Kingdom	6,565,934	6,496,798
Europe	6,588,722	5,314,579
Asia	5,466,897	5,866,889
Rest of the world	2,603,586	2,714,865
	<u>21,225,139</u>	<u>20,393,131</u>

An analysis of turnover by class of business is given below:

	2021	2020
	£	£
Lubricants	18,946,162	18,237,361
Surface coatings	2,278,977	2,155,770
	<u>21,225,139</u>	<u>20,393,131</u>

Notes to the financial statements

2 Turnover and profit before tax (continued)

Profit before tax is stated after charging/(crediting):

	2021	2020
	£	£
Auditor's remuneration – audit of the financial statements	11,300	14,750
Amortisation of intangible fixed assets	7,268	7,055
Depreciation of tangible fixed assets	437,088	449,568
Operating lease rentals		
- property	24,703	23,755
- other	52,773	52,819
Government grants	(30,271)	(38,731)
Loss/(gain) on disposal of tangible fixed assets	4,330	(12,203)
Rent receivable	(33,284)	(33,000)
Fair value gain on foreign exchange forward contracts	-	(2,696)
Foreign currency exchange gains	(142,738)	(29,232)
Research and development expenditure	502,980	464,529
	<u>502,980</u>	<u>464,529</u>

3 Interest receivable and similar income

	2021	2020
	£	£
Bank interest and other interest receivable	15,650	46,230
	<u>15,650</u>	<u>46,230</u>

4 Interest payable and similar charges

	2021	2020
	£	£
Bank interest and other interest payable	172	138
	<u>172</u>	<u>138</u>

5 Directors and employees

Staff costs during the year were as follows:

	2021	2020
	£	£
Wages and salaries	3,219,692	3,237,266
Social security costs	297,644	299,989
Defined contribution pension costs	324,422	272,948
	<u>3,841,758</u>	<u>3,810,203</u>

Notes to the financial statements

5 Directors and employees (continued)

The average number of employees including directors during the year was:

	2021 Number	2020 Number
Manufacturing	34	35
Maintenance	9	8
Sales and technical	26	25
Office and management	11	11
	<u>80</u>	<u>79</u>

The directors are the key management personnel of the company. Remuneration in respect of directors was as follows:

	2021 £	2020 £
Emoluments	383,820	377,100
Defined contribution pension costs	58,048	42,450
	<u>441,868</u>	<u>419,550</u>

The above includes the emoluments and fees of all directors paid by the Company.

The number of directors to whom retirement benefits are accruing were as follows:

	2021 Number	2020 Number
Money purchase schemes	<u>2</u>	<u>2</u>

The highest paid director received emoluments and benefits as follows:

	2021 £	2020 £
Emoluments	185,835	202,243
Contributions to money purchase pension schemes	39,600	29,700
	<u>225,435</u>	<u>231,943</u>

Notes to the financial statements

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2021	2020
	£	£
Current taxation		
UK corporation tax payable at 19.00% (2020: 19.00%)	733,367	841,054
Adjustments in respect of previous year	<u>(217,596)</u>	<u>(190,472)</u>
Total current tax	515,771	650,582
Deferred tax charge	<u>160,852</u>	<u>36,229</u>
Tax expense	<u>676,623</u>	<u>686,811</u>

(b) Factors affecting the tax charge in the year

The tax assessed for the period is lower (2020: lower) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%).

The differences are explained below:

	2021	2020
	£	£
Profit on ordinary activities before taxation	<u>4,443,258</u>	<u>4,797,721</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	844,219	911,567
Effects of:		
Expenses not deductible for tax purposes	6,328	813
Fixed asset differences	(15,827)	8,047
Group income not taxable	(65,191)	(81,489)
Group relief claimed	(779)	-
Re-measurement of deferred tax	125,469	38,345
Adjustment in respect of prior year	(217,596)	(190,472)
	- current tax	
	- deferred tax	
Total tax charge for the year	<u>676,623</u>	<u>686,811</u>

The current tax adjustment in respect to prior year primarily comprises research and development tax relief.

Notes to the financial statements

7 Dividends

	2021	2020
	£	£
Paid during the year: £3.40 per share (2020: £3.30 per share)	850,000	825,000
Declared and payable at the year-end: £20.00 per share (2020: £nil)	<u>5,000,000</u>	<u>-</u>
	<u>5,850,000</u>	<u>825,000</u>
Declared post year end: £20.00 per share (2020: £nil)	<u>5,000,000</u>	<u>-</u>

8 Intangible fixed assets

	Computer software
	£
Cost or valuation	
At 1 January 2021	226,910
Additions	-
Disposals	<u>(44,558)</u>
At 31 December 2021	<u>182,352</u>
Amortisation	
At 1 January 2021	214,516
Charged in the year	7,268
Disposals	<u>(44,558)</u>
At 31 December 2021	<u>177,226</u>
Net book amount at	
31 December 2021	<u>5,126</u>
Net book amount at	
31 December 2020	<u>12,394</u>

The amortisation charge for the year is recognised within administrative expenses.

Notes to the financial statements

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost or valuation					
At 1 January 2021	3,893,732	4,977,573	38,518	296,645	9,206,468
Additions	-	411,499	-	36,301	447,800
Disposals	-	(502,281)	-	(61,239)	(563,520)
At 31 December 2021	<u>3,893,732</u>	<u>4,886,791</u>	<u>38,518</u>	<u>271,707</u>	<u>9,090,748</u>
Depreciation					
At 1 January 2021	57,501	3,188,695	1,605	252,199	3,500,000
Charged in the year	59,308	341,696	9,629	26,455	437,088
Disposals	-	(497,951)	-	(61,239)	(559,190)
At 31 December 2021	<u>116,809</u>	<u>3,032,440</u>	<u>11,234</u>	<u>217,415</u>	<u>3,377,898</u>
Net book amount at 31 December 2021	<u>3,776,923</u>	<u>1,854,351</u>	<u>27,284</u>	<u>54,292</u>	<u>5,712,850</u>
Net book amount at 31 December 2020	<u>3,836,231</u>	<u>1,788,878</u>	<u>36,913</u>	<u>44,446</u>	<u>5,706,468</u>

Plant and machinery include assets under construction totalling £238,857 (2020: £nil). Fixtures and fittings include assets under construction totalling £30,069 (2020: £nil).

As at 31 December 2019, freehold land and buildings were professionally valued on an open market fair value basis by Keppie Massie Surveyors and Property Consultants (MRICS). The directors consider this to be fair value at 31 December 2021.

If the freehold land and buildings had not been revalued they would have been included on the historic cost basis at the following amounts:

	£
Cost	
At 1 January 2021	3,939,304
Additions	-
At 31 December 2021	<u>3,939,304</u>
Accumulated depreciation	<u>(622,053)</u>
Net book amount at 31 December 2021	<u>3,317,251</u>
Net book amount at 31 December 2020	<u>3,376,559</u>

Freehold land and buildings includes land amounting to £927,346 (2020: £927,346) which is not subject to depreciation. The company does not have any finance leases or hire purchase contracts.

Notes to the financial statements

10 Fixed asset investments

	2021	2020
	£	£
Investments in subsidiary companies at cost	<u>29,442</u>	<u>29,442</u>

The subsidiary undertakings are:

Name	Registered office	Principal activity	Class of shares	Holding
Wilson & Scott (Highways) Limited	Colndale Road, Poyle Industrial Estate, Slough, SL3 0HQ	Application of road markings and surface coatings	Ordinary	77.98%
Bechem (UK) Limited	8 Stanhope Street, Liverpool, L8 5RQ	Dormant	Ordinary	100.00%

11 Stocks

	2021	2020
	£	£
Raw materials	1,831,182	1,493,123
Finished goods	<u>2,162,492</u>	<u>1,753,079</u>
	<u>3,993,674</u>	<u>3,246,202</u>

During the year, an impairment loss of £43,275 (2020: £89,201) was recognised in respect of stocks.

12 Debtors

	2021	2020
	£	£
Trade debtors	3,294,336	2,314,061
Amounts due from subsidiary undertaking	41,790	41,916
Prepayments and accrued income	120,307	114,430
Foreign exchange forward contracts	52,703	278,799
VAT recoverable	163,768	26,900
	<u>3,672,904</u>	<u>2,776,106</u>

Included within forward contracts is an amount of £(24,459) (2020: £99,431) falling due after more than one year.

Notes to the financial statements

13 Creditors

	2021	2020
	£	£
Trade creditors	1,339,190	814,029
Amounts due to parent undertaking	5,000,000	-
Corporation tax	376,142	228,737
Social security and other taxes	96,494	97,981
Accruals and deferred income	307,702	242,646
Pension contributions due	25,673	24,364
	<u>7,145,201</u>	<u>1,407,757</u>

14 Provisions for liabilities and charges

	Deferred taxation £
At 1 January 2021	412,844
Credited to statement of changes in equity	(33,212)
Charged to profit and loss account	<u>160,852</u>
At 31 December 2021	<u>540,484</u>

The deferred tax liabilities recognised are:

	2021	2020
	£	£
Accelerated capital allowances	529,017	367,467
Other timing differences	7,245	42,114
Valuation of land and buildings	4,222	3,263
	<u>540,484</u>	<u>412,844</u>

15 Government grants

	£
At 1 January 2021	120,817
Government grants received	18,180
Released to profit and loss account	<u>(30,271)</u>
At 31 December 2021	<u>108,726</u>

The above grants relate to the purchase of tangible fixed assets and the Coronavirus Job Retention Scheme

Notes to the financial statements

16 Share capital and reserves

	2021	2020
	£	£
Allotted, called up and fully paid 250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

Ordinary share rights

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Share for share exchange

On 14th December 2021 the entire issued share capital of R.S. Clare & Co Limited was sold to RS Clare Holdings Limited by way of a share exchange agreement. Shareholders of R.S. Clare & Co Limited received shares in RS Clare Holdings Limited in exchange for their shares. 250,000 ordinary shares in RS Clare Holdings Limited were issued at par of £1 and there was no change in ultimate beneficial ownership.

Reserves

Revaluation reserve

The revaluation reserve represents the cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in the profit and loss.

Profit and loss account

The profit and loss account represents the cumulative profit and loss net of distribution to owners.

Cash flow hedge reserve

The cash flow hedge reserve represents the lower of (in absolute amounts) the cumulative gain or loss on the hedging instrument and the cumulative change in fair value on the hedged item.

17 Capital commitments

At the year end the company had capital commitments of £35,945 (2020: £6,430).

18 Other financial commitments

Cross-guarantee

The company has a cross guarantee agreement with the bank relating to any monies owed by the group.

Notes to the financial statements

19 Leasing commitments

As a lessee

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

	2021	2021	2020	2020
	Property	Other	Property	Other
	£	£	£	£
Amounts due:				
Within one year	8,492	45,153	9,649	40,797
Between two and five years	-	41,526	-	56,289
After more than five years	-	-	-	-
	<u>8,492</u>	<u>86,679</u>	<u>9,649</u>	<u>97,086</u>

As a lessor

At the year end the Company had contracted with tenants, under non-cancellable operating leases, the following minimum lease payments:-

	2021	2020
	£	£
Amounts receivable:		
Within one year	26,400	21,107
Between two and five years	49,690	-
	<u>76,090</u>	<u>21,107</u>

The operating lease represents the lease of land to a third party which was negotiated for a period of 3 years and is due to end in 2024. The rent payable under the terms of the lease agreement will be revised on the second anniversary of the lease commencement date. There are no options written into the lease agreement for either party to extend the lease term.

20 Retirement benefits

The Company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Company charged to profit or loss in the year amounted to £324,422 (2020: £272,948). Contributions totalling £25,673 (2020: £24,364) were payable to the fund at the year end and are included in creditors.

Notes to the financial statements

23 Transactions with related parties

During the year the company entered transactions with non-wholly owned group undertakings as follows:

	2021	2020
	£	£
Provision of goods and services to subsidiary undertaking	<u>2,016,218</u>	<u>1,966,217</u>

The amount due from the subsidiary undertaking at 31 December 2021 is £41,790 (2020: £41,916).

During the year the company entered into transactions, in the ordinary course of business, with related parties as follows:

	2021	2020
	£	£
Provision of living accommodation to directors	<u>9,000</u>	<u>9,000</u>

Dividends were paid to the directors in the year totalling £229,034 (2020: £205,374).

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2020: £nil) in respect of bad debts from related parties.

24 Parent undertakings and controlling parties

As of 15 December 2021, the immediate parent undertaking is RS Clare Holdings Limited.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is RS Clare Holdings Limited. Consolidated financial statements are available from Companies House, Cardiff, CF4 3UZ.

In the opinion of the directors there is no ultimate controlling party.