

Clansman Dynamics Limited
Annual Report and Financial Statements
for the Year Ended 31 March 2020

Alexander Marshall
Chartered Accountants & Registered Auditors
84 Hamilton Road
Motherwell
Lanarkshire
ML1 3BY

Clansman Dynamics Limited

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Clansman Dynamics Limited

Company Information

Directors	Mr A J Goodbrand Mr S J Boyd Mrs H M Simpson Mr D J Muir Mr E Walker Mr A Allan
Company secretary	Mrs H M Simpson
Registered office	Stephenson Building Nasmyth Ave East Kilbride Glasgow G75 0QR
Auditors	Alexander Marshall Chartered Accountants & Registered Auditors 84 Hamilton Road Motherwell Lanarkshire ML1 3BY

Clansman Dynamics Limited

Strategic Report for the Year Ended 31 March 2020

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

Principal activity

The principal activity of the company is the design and manufacture of handling equipment for the global market in the forge and foundry industries and the provision of a full service.

Fair review of the business

The company has enjoyed another profitable year despite a continuing competitive market environment and uncertainties caused by Brexit. These have been mitigated by strengthening our market presence in the USA, and the continued focused efforts of our sales teams in all geographic regions. Turnover and Net Profit were similar to the prior year. Gross Profit Margin was lower due to expenditure on an R&D project (mentioned below) but these costs are compensated almost entirely by a Government grant supporting this project. Under these circumstances, the levels of Turnover and Net Profit are considered to be acceptable.

Foundry activity continues to increase, particularly in the USA and Asia, and the company representation in those marketplaces have proved highly encouraging with a strong order book already in place in these important markets.

The company continues to grow its product base in the forgoing industry and continues to strive to establish a major presence in the supply of grinding manipulators to both the forge and foundry market.

Of particular note is the order-book level at the year-end which is higher than has been the case for some years, giving a good platform for the upcoming financial year.

The company operates in a global marketplace and to ensure adequate presence it uses a network of agents. Commissions paid to agents are a significant cost to the company, but these costs are directly in relation to completed contracts and are at the usual levels experienced in this type of industry.

The company continues to pay attention to warranty provisions in respect of completed contracts with special focus on our newly developed and more complex machines. We believe that enough allowances have been made to provide adequate cover for any foreseeable occurrences in those areas but scrutiny of all such contracts will be maintained.

Key performance indicators centre around sales output and profit per employee. These indicators continue to be important but additional KPI's are now in place to monitor supplier lead times and debtor payment performance.

Cashflow position remains good. The company continues to develop and improve products which were showcased at major trade exhibitions throughout the year. The Company intends to continue its prominent position at major trade exhibitions in the coming years.

Recruitment and training of high-level employees continues to ensure viability of current succession plans and our ongoing commitment to technical advancement and development.

Principal risks and uncertainties

Although due to timing the current Covid-19 coronavirus pandemic did not affect the year ending 31st March 2020, clearly the restrictions in being able to work normally and disruption to markets and supply-chains will have some affect on the Company in the upcoming year. Planning for this is in place and all efforts will be made to mitigate negative effects on the business while ensuring protection of employees and compliance with all Government restrictions and advice.

Clansman Dynamics Limited

Strategic Report for the Year Ended 31 March 2020

Future developments

We are more than half-way through our 3-year commitment to an R & D project on the development of a new fast forging robot, completion of which is expected within the upcoming financial year. We expect this development to lead to further penetration into new markets in that sector in the future.

Additionally, an opportunity in the grinding sector is being explored and we are now part way through a 3-year R & D project re-designing existing models and developing new improved units for that market.

Approved by the Board on 14 July 2020 and signed on its behalf by:

Mr D J Muir
Director

Clansman Dynamics Limited

Directors' Report for the Year Ended 31 March 2020

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

Directors of the company

The directors who held office during the year were as follows:

Mr A J Goodbrand (appointed 15 August 2019)

Mr S J Boyd (appointed 10 January 2020)

Mrs H M Simpson - Company secretary and director

Mr A Sparrow (resignation 5 August 2019)

Mr D J Muir

Mr E Walker

Mr A Allan

Mr D McGuire (resigned 10 January 2020)

Mr G McCover (resigned 10 January 2020)

Financial instruments

Objectives and policies

The company holds or issues financial instruments in order to achieve three main objectives being;

(a) to finance its operations;

(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and

(c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below.

Clansman Dynamics Limited

Directors' Report for the Year Ended 31 March 2020

Price risk, credit risk, liquidity risk and cash flow risk

Credit risk

The company monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Liquidity risk

The company monitors liquidity risk through the execution of tight credit control procedures and continued monitoring of cash flows.

Currency risk

The company presents its financial statements in Sterling and conducts business in Sterling, US Dollars and Euros. As a result it is subject to foreign currency exchange risk due to exchange rate movements which will affect the transaction costs of the company and the translation of foreign currency assets and liabilities at the year end.

In an effort to reduce their risk to foreign currency exposure whenever it is considered appropriate the company enters into agreements with its bankers to sell set amounts of Euros and Dollars at predetermined rates.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors Alexander Marshall are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 14 July 2020 and signed on its behalf by:

Mr D J Muir
Director

Clansman Dynamics Limited

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

Clansman Dynamics Limited

Independent Auditor's Report to the Members of Clansman Dynamics Limited

Opinion

We have audited the financial statements of Clansman Dynamics Limited (the 'company') for the year ended 31 March 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, 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 March 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. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

Clansman Dynamics Limited

Independent Auditor's Report to the Members of Clansman Dynamics Limited

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.

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Clansman Dynamics Limited

Independent Auditor's Report to the Members of Clansman Dynamics Limited

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Mr David Marshall (Senior Statutory Auditor)
For and on behalf of Alexander Marshall, Statutory Auditor
84 Hamilton Road
Motherwell
Lanarkshire
ML1 3BY

16 July 2020

Clansman Dynamics Limited

Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Turnover	<u>3</u>	9,706,912	9,271,664
Cost of sales		<u>(8,299,099)</u>	<u>(7,531,844)</u>
Gross profit		1,407,813	1,739,820
Administrative expenses		(1,524,500)	(1,455,655)
Other operating income	<u>4</u>	<u>436,009</u>	<u>170,966</u>
Operating profit	<u>5</u>	<u>319,322</u>	<u>455,131</u>
(Loss)/gain on financial assets at fair value through profit and loss account		(87,604)	42,695
Other interest receivable and similar income	<u>7</u>	893	532
Interest payable and similar charges	<u>8</u>	<u>199,595</u>	<u>(6,359)</u>
		<u>112,884</u>	<u>36,868</u>
Profit before tax		432,206	491,999
Taxation	<u>12</u>	<u>(170)</u>	<u>(101)</u>
Profit for the financial year		<u>432,036</u>	<u>491,898</u>

The above results were derived from continuing operations.

The notes on pages 14 to 25 form an integral part of these financial statements.

Clansman Dynamics Limited
(Registration number: SC147048)
Balance Sheet as at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	<u>13</u>	594,245	624,165
Other financial assets	<u>14</u>	1,517,018	1,604,622
		<u>2,111,263</u>	<u>2,228,787</u>
Current assets			
Stocks	<u>15</u>	2,896,181	1,906,000
Debtors	<u>16</u>	1,866,214	1,366,148
Cash at bank and in hand		4,045,878	3,990,336
		8,808,273	7,262,484
Creditors: Amounts falling due within one year	<u>18</u>	<u>(4,603,679)</u>	<u>(3,365,568)</u>
Net current assets		<u>4,204,594</u>	<u>3,896,916</u>
Total assets less current liabilities		6,315,857	6,125,703
Creditors: Amounts falling due after more than one year	<u>18</u>	(2,700)	(5,400)
Provisions for liabilities	<u>19</u>	<u>(183,101)</u>	<u>(183,940)</u>
Net assets		<u>6,130,056</u>	<u>5,936,363</u>
Capital and reserves			
Called up share capital	<u>21</u>	93,768	93,768
Share premium reserve		89,919	89,919
Capital redemption reserve		128,300	128,300
ESOP reserve		(2,199,021)	(2,078,734)
Profit and loss account		8,017,090	7,703,110
Total equity		<u>6,130,056</u>	<u>5,936,363</u>

Approved and authorised by the Board on 14 July 2020 and signed on its behalf by:

Mrs H M Simpson

Company secretary and director

The notes on pages 14 to 25 form an integral part of these financial statements.
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Clansman Dynamics Limited

Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £	Share premium £	Capital redemption reserve £	ESOP reserve £	Profit and loss account £	Total £
At 1 April 2019	93,768	89,919	128,300	(2,078,734)	7,703,110	5,936,363
Profit for the year	-	-	-	-	432,036	432,036
Total comprehensive income	-	-	-	-	432,036	432,036
Dividends	-	-	-	-	(118,056)	(118,056)
Contribution to ESOP	-	-	-	(102,378)	-	(102,378)
Movement on consolidation	-	-	-	(45,999)	-	(45,999)
Share based payment transactions	-	-	-	28,090	-	28,090
At 31 March 2020	93,768	89,919	128,300	(2,199,021)	8,017,090	6,130,056
	Share capital £	Share premium £	Capital redemption reserve £	ESOP reserve £	Profit and loss account £	Total £
At 1 April 2018	93,768	89,919	128,300	(2,086,272)	7,475,163	5,700,878
Profit for the year	-	-	-	-	491,898	491,898
Total comprehensive income	-	-	-	-	491,898	491,898
Dividends	-	-	-	-	(263,951)	(263,951)
Movement on consolidation	-	-	-	(15,233)	-	(15,233)
Share based payment transactions	-	-	-	22,771	-	22,771
At 31 March 2019	93,768	89,919	128,300	(2,078,734)	7,703,110	5,936,363

The notes on pages 14 to 25 form an integral part of these financial statements.

Clansman Dynamics Limited

Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the year		432,036	491,898
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>5</u>	58,320	46,122
Finance income	<u>7</u>	86,711	(43,227)
Income tax expense	<u>12</u>	170	101
Surplus/(deficit) on ESOP transactions		(45,998)	(15,232)
Share based payments		28,090	22,771
		559,329	502,433
Working capital adjustments			
Increase in stocks	<u>15</u>	(990,181)	(310,935)
Increase in trade debtors	<u>16</u>	(500,066)	(11,343)
Increase in trade creditors	<u>18</u>	1,238,042	688,271
Decrease in provisions	<u>19</u>	(839)	(44,741)
Decrease in deferred income, including government grants		(2,700)	(2,700)
		303,585	820,985
Cash generated from operations		303,585	820,985
Income taxes paid	<u>12</u>	(101)	(233)
		303,484	820,752
Net cash flow from operating activities		303,484	820,752
Cash flows from investing activities			
Interest received	<u>7</u>	893	532
Acquisitions of tangible assets		(28,401)	(197,333)
Acquisition of investments		-	(500,000)
		(27,508)	(696,801)
Net cash flows from investing activities		(27,508)	(696,801)
Cash flows from financing activities			
Contribution to ESOP		(102,377)	-
Dividends paid	<u>24</u>	(118,056)	(263,951)
		(220,433)	(263,951)
Net cash flows from financing activities		(220,433)	(263,951)
Net increase/(decrease) in cash and cash equivalents		55,543	(140,000)
Cash and cash equivalents at 1 April		3,990,336	4,130,336
Cash and cash equivalents at 31 March		4,045,879	3,990,336

The notes on pages 14 to 25 form an integral part of these financial statements.

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

1 General information

The company is a private limited company incorporated in Scotland, United Kingdom. The company number is SC147048.

The address of its registered office is:

Stephenson Building
Nasmyth Ave
East Kilbride
Glasgow
G75 0QR

These financial statements were authorised for issue by the Board on 14 July 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

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

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in Sterling, which is the company's functional currency. All financial information is presented in Sterling and has been rounded to the nearest pound.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company's activities.

Government grants

Grants relating to revenue are recognised in profit and loss on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate.

Grants that are received in respect of expenses or losses already incurred by the entity are recognised in profit and loss in the period when the grant becomes receivable.

Capital-based grants are recognised in profit and loss on a systematic basis over the useful economic life of the asset (usually to match the associated depreciation charge).

Grants relating to an asset which are deferred are recognised as a liability (deferred income) and are not deducted from the carrying value of an asset.

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Other grants

Grants received in respect of revenue expenditure or assets which cannot be specifically identified are credited to revenue in period to which the expenditure relates.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates, Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	1% straight line
Factory equipment	20% straight line
Office equipment	20/25% straight line

Investments

Fixed and current asset investments are stated at fair value with any loss or profit on revaluation being recognised in the profit and loss account in the period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, after due regard for obsolete and slow moving stocks. Cost is determined using the first-in, first-out (FIFO) method.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Work in progress is valued on the basis of the stage of completion less amounts invoiced to date. Provision is made for foreseeable losses where appropriate.

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 using the effective interest method.

Provisions

The Company provides warranties in respect of the failure of components other than through wear and tear for a thirty month period. Provision is made for potential warranty claims based on an estimate of the average cost of a claim and the probability of claims being made based on the Company's experience over the last 30 months.

Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Employee share ownership plan (ESOP) trust

Consideration paid or received for the purchase or sale of the company's own shares in an ESOP trust are shown as a separate amount within shareholders' funds. Assets and liabilities of the ESOP trust are reported as those of the sponsoring company. The costs of operating the ESOP trust are included in the profit and loss account of the sponsoring company.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020	2019
	£	£
Sale of goods	9,706,912	9,271,664

The analysis of the company's turnover for the year by market is as follows:

	2020	2019
	£	£
UK	535,290	388,673
Rest of world	9,171,622	8,882,991
	9,706,912	9,271,664

4 Other operating income

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

	2020	2019
	£	£
Grants	433,410	160,433
Miscellaneous other operating income	2,599	10,533
	436,009	170,966

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

5 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	<u>58,320</u>	<u>46,122</u>

6 Government grants

The company received grants from Scottish Enterprise to assist in the purchase of fixed assets and for research and development projects to develop new products.

The company also received grants from the Government to support employment during the Coronavirus pandemic.

The amount of grants recognised in the financial statements was £433,410 (2019 - £160,433).

There are no unfulfilled conditions for the grants recognised in income.

7 Other interest receivable and similar income

	2020 £	2019 £
Interest income on bank deposits	<u>893</u>	<u>532</u>

8 Interest payable and similar expenses

	2020 £	2019 £
Foreign exchange (gains) / losses	<u>(199,595)</u>	<u>6,359</u>

9 Staff costs

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

	2020 £	2019 £
Wages and salaries	2,542,340	2,330,592
Social security costs	277,230	252,055
Pension costs, defined contribution scheme	43,468	25,926
Other employee expense	<u>3,237</u>	<u>-</u>
	<u>2,866,275</u>	<u>2,608,573</u>

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Notes to the Financial Statements for the Year Ended 31 March 2020

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

	2020 No.	2019 No.
Direct Production	35	32
Administration and support	6	5
Sales	3	3
Technical	10	9
Office management	2	1
	56	50
	56	50

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	580,472	651,892
Contributions paid to money purchase schemes	8,047	5,497
	588,519	657,389
	588,519	657,389

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	9	7
	9	7

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	109,469	124,265
Company contributions to money purchase pension schemes	1,316	806
	110,785	125,071
	110,785	125,071

11 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	12,800	10,409
	12,800	10,409

12 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	170	101
	170	101

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

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

The differences are reconciled below:

	2020	2019
	£	£
Profit before tax	<u>432,206</u>	<u>491,999</u>
Corporation tax at standard rate	82,119	93,480
Effect of expense not deductible in determining taxable profit (tax loss)	944	560
Decrease from tax losses for which no deferred tax asset was recognised	(87,734)	(68,279)
Tax increase/(decrease) from effect of capital allowances and depreciation	<u>4,841</u>	<u>(25,660)</u>
Total tax charge	<u>170</u>	<u>101</u>

13 Tangible assets

	Land and buildings	Furniture, fittings and equipment	Other tangible assets	Total
	£	£	£	£
Cost or valuation				
At 1 April 2019	574,810	141,646	286,385	1,002,841
Additions	-	-	28,401	28,401
Transfers	(7,446)	-	7,446	-
At 31 March 2020	<u>567,364</u>	<u>141,646</u>	<u>322,232</u>	<u>1,031,242</u>
Depreciation				
At 1 April 2019	127,132	136,951	114,593	378,676
Charge for the year	5,674	3,964	48,683	58,321
At 31 March 2020	<u>132,806</u>	<u>140,915</u>	<u>163,276</u>	<u>436,997</u>
Carrying amount				
At 31 March 2020	<u>434,558</u>	<u>731</u>	<u>158,956</u>	<u>594,245</u>
At 31 March 2019	<u>447,678</u>	<u>4,695</u>	<u>171,792</u>	<u>624,165</u>

Included within the net book value of land and buildings above is £434,558 (2019 - £447,678) in respect of long leasehold land and buildings.

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

14 Other financial assets (current and non-current)

	Financial assets at fair value £	Total £
Non-current financial assets		
Cost or valuation		
At 1 April 2019	1,604,622	1,604,622
Revaluations	(87,604)	(87,604)
	1,517,018	1,517,018
At 31 March 2020	1,517,018	1,517,018
Impairment		
Carrying amount		
At 31 March 2020	1,517,018	1,517,018

15 Stocks

	2020 £	2019 £
Work in progress	1,092,365	552,075
Other inventories	1,803,816	1,353,925
	2,896,181	1,906,000
	2,896,181	1,906,000

16 Debtors

	2020 £	2019 £
Trade debtors	1,505,130	1,116,951
Other debtors	96,106	27,326
Prepayments	67,276	105,538
Accrued income	197,702	116,333
	1,866,214	1,366,148
	1,866,214	1,366,148

Details of non-current trade and other debtors

£Nil (2019 -£Nil) of other debtors is classified as non current.

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

17 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	1,500	528
Cash at bank	3,642,715	3,689,038
Short-term deposits	401,663	300,770
	4,045,878	3,990,336

18 Creditors

	Note	2020 £	2019 £
Due within one year			
Trade creditors		763,951	858,320
Social security and other taxes		73,364	64,211
Outstanding defined contribution pension costs		14,620	(51)
Other payables		41,332	65,776
Accruals		3,707,542	2,374,511
Income tax liability	<u>12</u>	170	101
Deferred income		2,700	2,700
		4,603,679	3,365,568
Due after one year			
Deferred income		2,700	5,400

19 Deferred tax and other provisions

	Warranty provision £	Total £
At 1 April 2019	183,940	183,940
Increase (decrease) in existing provisions	(839)	(839)
At 31 March 2020	183,101	183,101

The company provides a warranty on machines sold for thirty months in respect of failure of components other than through wear and tear. The directors do not expect claims to arise from all machines sold but have made a provision for possible claims, based on their experience to date of £183,101 at 31 March 2020 (2019 - £183,940). Where there are known issues for new products, an additional provision has been made for potential issues with newly developed products. The provision has reduced this year due to fewer claims being made during the financial year.

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £43,468 (2019 - £25,926)

Contributions totalling £14,620 (2019 - £(51)) were payable to the scheme at the end of the year and are included in creditors.

21 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	22,068	22,068	22,068	22,068
Ordinary shares of £0.05 each	1,433,997	71,699.85	1,433,997	71,699.85
A Ordinary shares of £0.05 each	3	0.15	3	0.15
Ordinary Foundation share of £0.05 each	1	0.05	1	0.05
	<u>1,456,069</u>	<u>93,768</u>	<u>1,456,069</u>	<u>93,768</u>

22 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments in respect of the long term ground lease of the building is as follows:

	2020	2019
	£	£
Not later than one year	8,000	8,000
Later than one year and not later than five years	32,000	32,000
Later than five years	<u>832,000</u>	<u>840,000</u>
	<u>872,000</u>	<u>880,000</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £8,000 (2019 - £8,000).

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

23 Share based payments

The company operates a share incentive scheme for the benefit of all employees.

The scheme can make awards in each profitable year, subject to the achievement of targets and criteria. Shares can be awarded as free issue and also as matching shares where partnership shares are purchased and employees can re-invest dividends within the scheme. The holding period for the shares awarded to employees is three years and all free shares awarded within three years of termination of employment must be forfeit in certain circumstances. During the year the share incentive plan made awards of partnership, matching and dividend shares. The price at which the shares are awarded is calculated based on the share valuation at the time of the award calculated in accordance with the Articles of Association.

The value of goods/services received is based on the price at the date of award and the amount charged through the profit and loss account is spread equally across the holding period.

The amount charged in the profit and loss account for share based payments is £28,090 (2019 - £22,771). There is no liability outstanding at the year end.

24 Dividends

	2020	2019
	£	£
Final dividend of £0.4068 (2019 - £0.933) per ordinary share	118,056	263,951

25 Financial guarantee contracts

The company has issued guarantees during the year in respect of contracts with customers, the latest of which was issued on 27 March 2020. The guarantees are in place until the contract has been completed. As in previous years, no claims have been made against guarantees by any of its customers and the directors do not expect any claims to be made.

The total amount of the financial guarantee contracts are £1,055,477.

Clansman Dynamics Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

26 Related party transactions

Summary of transactions with other related parties

The Trustees of the Employee Benefit Trust set up to hold the shares in the company have waived the right to receive the dividend recommended by the directors. At the Balance Sheet date the amount due to the Trustees of the Employment Benefit Trust was nil (2019 - £nil).

27 Parent and ultimate parent undertaking

The ultimate controlling party is Clansman Dynamics Employee Benefit Trust governed by Trustees, who include employees of Clansman Dynamics Limited.

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