

Registration number: 01189060

Latchways plc

Annual Report and Financial Statements

For the year ended

31 December 2019



Latchways plc

Company Information

Directors

J J Behling
J M Daugherty
R W Roda

Secretary

A&L Goodbody

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Bankers

HSBC Bank plc
Level 4
3 Temple Quay
Bristol BS1 6ER

Registered Office

Hopton Park
Devizes
Wiltshire SN10 2JP
United Kingdom

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2019. The comparative figures are for the year ended 31 December 2018.

Strategy

Our strategic aim is to deliver superior returns over the long term through providing the most innovative and functional fall protection equipment to a global, legislation-driven market. We are the world leaders in the provision of engineered fall protection solutions, and in recent years have extended our product range to include portable consumable personal protective equipment. This strategy has not changed during the year.

Latchways' core competency is in the design, assembly and marketing of high quality fall protection products, coupled with providing unrivalled technical and customer support.

Product design is central to Latchways' business model. We have grown our business on the basis of providing innovative, best in class products across the range, whether creating entirely new products such as the Personal Rescue Device ("PRD"), or entering existing markets with innovative new solutions such as our Self Retracting Lifeline ("SRL") range. We have a dedicated team of engineers with complementary skill sets who are committed to producing cost effective fall protection solutions of the highest quality.

Our sales process is flexible to match customer needs, using a combination of independent installers, distributors and direct selling to meet the needs of customers globally.

Business review

The directors are pleased to report another profitable year. Revenues for the year to 31 December 2019 were £40,950,000 compared with £34,373,000 for the year to 31 December 2018, an increase of 19%. Profit before tax was £7,026,000 compared with £3,395,000 for the year to 31 December 2018.

The increase in revenue is driven by North America PPE sales. This is the most significant growth area for the Fall Protection product range.

The business remains cash generative and, in the opinion of the directors, has adequate resources for the foreseeable future. The financial position of the company as at 31 December 2019 was strong with net cash of £2,804,000 on the balance sheet.

Future developments

The company intends to continue to leverage its position within the MSA organisation to drive its products into new markets and geographies within the safety sector, whilst continuing to invest in its core markets and territories. Further investment in new product development will continue. There have been many product launches during 2020 and these will continue for the remaining months of 2020 until 2021. The Company continue to follow- various launches based on the Roadmap developed by the Company.

Risks and the operational environment

As a provider of fall protection solutions to a global marketplace, the company is subject to a number of external factors which affect its risk and opportunity profile. The more important of these are discussed below.

The global economy

The past year has seen significant economic volatility, with concerns over Brexit, oil prices and emerging markets affecting business confidence. Any further economic downturn, including the impact of the Covid 19 pandemic, particularly in our more developed markets, would naturally have an impact on the performance of our business.

Strategic report

(Continued)

The commercial construction market

Latchways operates in a diverse and growing range of markets. This ensures that we are not excessively dependent on one market for our growth. Through diversifying our geographic and end user markets, we continue to reduce the importance of both the UK and European commercial construction markets to our overall business. We also work with a number of larger customers to maximise our retrofit opportunities, further reducing the dependence on new build. However, these markets are and will remain important to us.

The legislative environment

Increasing emphasis on Health and Safety regulation throughout the European Union has been one of the key drivers of the fall protection business over the past decade. This increase in regulation has embodied a view in the developed economies that companies should do all in their power to protect their workforce from hazard. This view is fast being adopted by many in the developing economies which will provide growth opportunities for the company in the years to come. The UK, and certain other EU countries, which have interpreted this into specific fall-protection legislation have become significant markets for the Latchways product range. Within the UK, the most obvious examples of this legislation are the Workplace (Health, Safety and Welfare) Regulations 1992, the Construction (Design and Management) ("CDM") Regulations 1994 (revised in 2007), and the Working at Height Regulations 2005. Latchways sees the development of appropriate, workable safety regulations as of critical importance, not just to its own business but to business as a whole. We have ensured that Latchways is represented on a number of key legislative standards committees, both in the UK and overseas.

Commodity prices

The majority of Latchways products are constructed of either marine grade stainless steel or, to a lesser extent, aluminium. Market prices for these commodities can be volatile, although the reduced levels of global economic activity have resulted in a relatively benign commodity market over recent years.

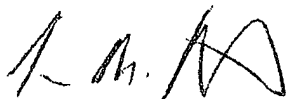
It remains Latchways' philosophy to protect our customers from the volatility of commodity prices through a combination of modest price increases and product re-sourcing efforts. This policy has served us well over a number of years and will continue.

Foreign exchange

Latchways has exposure to fluctuations in the Sterling/Euro exchange rate, as our European sales are invoiced in Euros. This risk is partly mitigated by the fact that guardrail and cable are purchased in Euros. The company also has currency exposure to fluctuations in Sterling / US Dollar exchange rate, which is partially mitigated by raw material purchases in US Dollars.

All currency exposures are now managed by the ultimate holding company at group level.

By order of the board



James M Daugherty
Director

12th October 2020

Latchways plc

Registered No. 1189060

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019. These financial statements have been prepared under Financial Reporting Standard 101 "Reduced Disclosure Framework".

Principal activity

The principal activity of the company in the year under review was the production and distribution of industrial safety products. The company operates out of a number of locations in the United Kingdom and has a subsidiary in Slovenia. It is planned to move operations from Slovenia to the United Kingdom and this should be finalised by the end of 2020.

Business review and future developments

The Strategic Report sets out the strategy, business model, the development of the company's business during the financial year and its position at the end thereof, together with an indication of likely future developments in the company's business.

Results and dividends

The profit for the year after providing for taxation amounted to £5,980,000 (31 December 2018 – profit of £2,833,000)

The directors declared and paid interim dividends totalling £450k (2018: £1.5m) on 26 September 2019.

The dividend paid in the year was therefore 4.01p per ordinary share (31 December 2018 – 13.35p).

The directors do not recommend payment of a final dividend (31 December 2018 – nil).

Going concern

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. Whilst we have not seen a significant impact on our business to date, the outbreak could interfere with general activity levels within the wider MSA Group, including our subsidiary undertakings, the economy and the activities of the wider MSA Group customers. Mine Safety Incorporated, the Company's ultimate parent undertaking, has provided a formal letter of support indicating its willingness to provide financial support to assist the Company in meeting its liabilities as and when they fall due, to the extent that money is not otherwise available to meet such liabilities.

The directors, having assessed the responses of the management of Latchways to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern. On the basis of their assessment of the Company's financial position and relevant enquiries, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Key performance indicators (KPIs)

The company uses KPIs to monitor its performance against a range of criteria.

KPIs in relation to product sales revenues, gross and operating margins and cash generation are used by management to monitor progress. Information on the revenue performance by region for the year appears in note 3 and is discussed in the Strategic report. Gross margins reduced to 40% from 41% in the prior year, whilst operating margins rose significantly from 10% to 17%. Given the small size of the engineered fall protection industry, reliable market size and market share data is not available.

Directors' report

(Continued)

Research and development

The company has an active programme of research and development. The total expensed for the year appears in note 5 to the financial statements. Details of amounts capitalised as intangible assets are given in note 12 to the financial statements.

Financial instruments

Financial risk management strategy

The company uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed. Transactions are only undertaken if they relate to actual underlying exposures and hence cannot be viewed as speculative. Specifically, the company uses financial instruments to manage its foreign exchange, interest rate, credit and liquidity risks.

Foreign exchange risk

The company invoices export customers within the Eurozone in Euros and those customers within North America in US Dollars. In addition, certain other overseas customers are invoiced in local currency. The company also purchases some materials and services in Euros and US Dollars.

The company monitors its exposure to currency fluctuations on an ongoing basis. Currency exposure is managed by the ultimate holding company on a global basis.

Interest rate risk – Financial assets

The weighted average interest yield on the company's cash deposits during the year was 0% (31 December 2018 - 0%). Interest yields on other currencies were also not material.

Currency risk

The Company has transactional currency exposures which arise from sales in Euro and US Dollars and purchases in currencies other than its functional currency (GBP). Potential exposures to foreign currency exchange rate movements are monitored through monthly cash forecasting process. As at 31 December 2019, the company had cash balances denominated in Euros of £673,000 (31 December 2018 – £308,000) and in US Dollars of £532,000 (31 December 2018 –£12,000).

Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to the company's customer base being large and unrelated. Credit insurance is used to manage credit risk wherever possible. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

Liquidity risk

To provide additional flexibility, the company has access to loans from a fellow subsidiary company, Mine Safety Ireland Limited. No loans were needed during 2019. Interest on this facility is charged on any borrowings at the current one-month Libor rate, payable monthly in arrears. This is considered by management to provide adequate flexibility given the current liquidity of the business.

Latchways plc

Directors' report

(Continued)

Liquidity risk (continued)

The net fair values of derivative financial instruments and designated cash flow hedges at the balance sheet date were:

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	£000	£000	£000	£000
At 31 December				
Forward foreign currency contracts	39	-	-	7

The net fair value gains at 31 December 2019 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales were £39,000 (31 December 2018 – £7,000 loss). The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2019 were £1,911,000 (31 December 2018 – £1,791,000). There were no derivatives outstanding at the balance sheet date that were designated as fair value hedges (31 December 2018 – £nil).

The fair values of open forward foreign exchange contracts have been measured by reference to the actual currency spot rates at 31 December 2019.

In accordance with IAS 39, 'Financial instruments: Recognition and measurement', Latchways plc has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives were identified.

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of both short-term and long-term assets and liabilities approximate to book value.

Capital risk management

As a cash-generative, cash-positive business, capital risk is managed on a simplified basis. The aim of the company is to maintain sufficient funds to enable it to make suitable investments without recourse to the holding company and/or bankers. Excess cash is remitted to the holding company on a quarterly basis.

All material cash amounts are deposited with financial institutions whose credit rating is at least BBB.

As a result of this policy, capital risk measures such as gearing ratios are not currently relevant to the company.

Directors

The directors who served the company during the year and in the period to the approval of the accounts and directors' report were as follows:

A J Hogg (resigned 31 January 2019)

J J Behling

J M Daugherty

R W Roda

There were no contracts in which directors notified any interest during the year.

Latchways plc

Directors' report

(Continued)

Insurance

During the year the company maintained an insurance policy which indemnifies the company and directors and officers of the company in respect of losses arising from claims made against them in connection with the performance of their duties.

Political and charitable contributions

Charitable donations paid during the year in respect of community affairs amounted to £nil (31 December 2018 – £500). There were no political contributions (31 December 2018 – £nil).

Employees

We take our responsibilities to our employees seriously. Latchways is committed to the UK Living Wage and has been paying not less than the hourly rate recommended by the Living Wage Foundation for all employees and agency staff since 2011. This is a long-term commitment that we believe is of benefit to our business as well as to our employees.

The company also operates an Apprenticeship scheme. We believe that we provide an excellent all-round grounding in engineering, including new product development, and we intend to continue offering additional places each year.

The benefits of keeping our employees fully informed of our progress and of events which directly affect them and their working conditions is well recognised. Information is provided on training and other matters of concern by means of regular briefings and meetings with management.

Latchways has a policy of equal opportunities and non-discrimination in all forms of employment. Training is actively encouraged for all employees. Group policy is to give full and fair consideration to employment of disabled persons, having regard to their particular aptitudes and abilities and their training and career development. If employed persons become disabled, all possible assistance is given to them to continue in their existing job, or in an alternative position within the group.

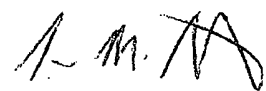
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors.

By order of the board



James M Daugherty
Director

Date 12th October

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Latchways plc

Opinion

We have audited the financial statements of Latchways plc for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Effects of COVID-19

We draw attention to Notes 2 and 26 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting the entities ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Independent auditors' report

to the members of Latchways plc (continued)

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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,

Independent auditors' report

to the members of Latchways plc (continued)

but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol, UK

Date: 19th October 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

		Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
	Note		
Revenue	3	40,950	34,373
Cost of sales		(24,604)	(20,142)
Gross profit		16,346	14,231
Administrative expenses		(9,323)	(10,830)
Operating profit		7,023	3,401
Finance costs	4	-	(11)
Finance income	4	3	5
Profit before taxation	5	7,026	3,395
Income tax expense	9	(1,046)	(562)
Profit for the year attributable to equity shareholders		5,980	2,833
Other comprehensive income		-	-
Total comprehensive profit for the year, net of tax		5,980	2,833

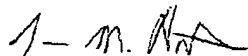
All amounts relate to continuing activities.

Statement of Financial Position

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Goodwill	11	453	453
Intangible assets	12	2,319	1,497
Property, plant and equipment	13	6,412	6,573
Right of use assets	24	305	-
Investment in subsidiaries	14	5,342	5,348
		14,831	13,871
Current assets			
Inventories	15	11,857	7,672
Trade and other receivables	16	9,604	7,988
Current tax asset	19	-	373
Financial assets – derivative financial instruments		39	-
Cash and cash equivalents	17	2,804	1,575
		24,304	17,608
Creditors: amounts falling due within one year			
Trade and other payables	18	(5,613)	(3,953)
Deferred consideration	20	(18)	(55)
Current tax liabilities	19	(212)	-
Lease liabilities	24	(116)	-
Financial liabilities – derivative financial instruments		-	(7)
		(5,959)	(4,015)
Net current assets		18,345	13,593
Total assets less current liabilities		33,176	27,464
Provision for liabilities and charges			
Deferred consideration	20	-	(24)
Lease liabilities	24	(180)	-
Deferred income tax liabilities	21	(313)	(287)
Net assets		32,683	27,153
Capital and reserves			
Called up share capital	22	562	562
Share premium account		2,339	2,339
Other reserves		290	290
Profit and loss account		29,492	23,962
Total shareholders' funds		32,683	27,153

The financial statements were approved by the board of directors and authorised for signature on their behalf by:



James M Daugherty
Director

Date 12th OCTOBER 2020

Statement of Changes in Equity

for the year ended 31 December 2019

		Ordinary share capital	Share premium account	Profit and loss account	Capital redemption reserve	Share based payment reserve	Total equity
	Note	£000	£000	£000	£000	£000	£000
At 1 January 2018		562	2,339	22,629	111	179	25,820
Total comprehensive profit for the year		-	-	2,833	-	-	2,833
Transactions with owners:							
Dividends paid	10	-	-	(1,500)	-	-	(1,500)
At 1 January 2019		562	2,339	23,962	111	179	27,153
Total comprehensive profit for the year		-	-	5,980	-	-	5,980
Transactions with owners:							
Dividends paid	10	-	-	(450)	-	-	(450)
At 31 December 2019		562	2,339	29,492	111	179	32,683

Notes to the financial statements

at 31 December 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Latchways plc (the "company") for the year ended 31 December 2019 were authorised for issue by the board of directors on the date shown on the balance sheet, which was signed on the board's behalf by James M Daugherty. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) under the historical cost convention and in accordance with applicable accounting standards.

The Company has used a true and fair view override in respect of the non-amortisation of goodwill.

The Company's financial statements are presented in Sterling, which is also the company's functional currency, and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The financial statements are prepared on a going concern basis under the historical cost convention.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of MSA Safety Incorporated.

The results of Latchways plc are included in the consolidated financial statements of MSA Safety Incorporated.

MSA Safety Incorporated is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. Copies of the MSA Safety Incorporated group financial statements can be obtained from MSA Safety Incorporated's website: www.msasafety.com.

Latchways plc is a private company, incorporated and domiciled in England and Wales and a registered office address of Hopton Park, Devizes, Wiltshire, SN10 2JP.

The principal accounting policies adopted by the Company are set out in notes 2.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a. The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- b. the requirements of IFRS 7 Financial Instruments: Disclosures,
- c. the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- d. the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets.
- e. the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- f. the requirements of IAS 7 Statement of Cash Flows;
- g. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- h. the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- i. the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- j. the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;

Notes to the financial statements

at 31 December 2019 (Continued)

2. Accounting policies (continued)

Basis of preparation (continued)

- k. The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers; The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- l. The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
- m. The requirements of paragraph 58 of IFRS 16. The disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

The Company has adopted IFRS 16 Leases during the financial year and the impact of the adoption of is described below. With the exception of IFRS 16 Leases, no new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019, have had a material impact on the company.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The impact of the application of IFRS16 on the financial statements for the year ended 31 December 2019 are disclosed in Note 24.

The weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application was 2.34%.

a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of buildings, plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Notes to the financial statements

at 31 December 2019 (Continued)

2. Accounting policies (continued)

IFRS 16 Leases

a) Nature of the effect of adoption of IFRS 16 (continued)

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, comparative figures are not restated and the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance retained earnings at the date of initial application.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the financial statements

at 31 December 2019 (Continued)

2. Accounting policies (continued)

IFRS 16 Leases

b) Summary of new accounting policies continued

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Significant accounting policies

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. A summary of the most important of these policies is set out below.

Notes to the financial statements

at 31 December 2019 (Continued)

2. Accounting policies (continued)

Going concern

The preparation of the financial statements on a going concern basis assumes that the company will continue in operational existence for the foreseeable future. Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. Whilst we have not seen a significant impact on our business to date, the outbreak could interfere with general activity levels within the wider MSA Group, including our subsidiary undertakings, the economy and the activities of the wider MSA Group customers. Mine Safety Incorporated, the Company's ultimate parent undertaking, has provided a formal letter of support indicating its willingness to provide financial support to assist the Company in meeting its liabilities as and when they fall due, to the extent that money is not otherwise available to meet such liabilities. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Goodwill and deferred consideration

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired business at the date of the acquisition.

In calculating goodwill, total consideration, both actual and deferred, is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent deferred consideration is reassessed annually and, for business combinations that have been affected before April 2010, a corresponding adjustment is made to the goodwill arising on acquisition. For subsequent business combinations, adjustments to any such contingent deferred consideration arising is reflected in the statement of comprehensive income in accordance with IFRS 3 (revised).

Goodwill is tested annually for impairment, or earlier if circumstances indicate that an impairment may have occurred and is carried at cost less any accumulated impairment losses. Any identified impairments would be charged directly to the company income statement. The annual impairment tests are carried out at the cash-generating unit level, with goodwill being assigned to those units for the purpose of the tests.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill a period of 5 years would have been chosen as the useful life for goodwill. The profit before tax for the year would have been £90,600 lower had goodwill been amortised in the year.

Licence costs have been included at purchase price and are being amortised over 3 - 5 years

Intangible assets

Patents and trademarks include all costs relating to their applications prior to their registration. The costs are written off in equal instalments over their estimated useful lives, which are of up to 20 years' duration. All other patent costs are written off as incurred.

Acquired intangible assets, which include brands, customer relationships, intellectual property and order books, are capitalised on acquisition at their fair values. They are then amortised in equal instalments over their estimated useful lives, which are of up to 12 years' duration.

Notes to the financial statements

at 31 December 2019 (Continued)

2. Accounting policies (continued)

Development costs

All ongoing research expenditure is expensed in the income statement in the year in which it is incurred. Where a product is technically feasible, production and sales are intended, a market exists and sufficient resources are available to complete the project, development costs are capitalised and amortised on a straight-line basis over the estimated useful life of the respective product, to a maximum of 3 years from product launch.

Software licences

Acquired computer software licences which do not form part of the operating software acquired with a piece of hardware are capitalised on the basis of all costs incurred in bringing them into use. These costs are amortised over their useful economic lives which are of up to a maximum of 3 years from implementation.

Property, plant and equipment

Property, plant and equipment are stated at cost, including incidental costs of acquisition, less accumulated depreciation and any impairment in value. Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are as follows:

Freehold buildings	—	2%
Plant and machinery	—	20%-50%
Motor vehicles	—	20%-25%
Fixtures and fittings	—	15%-50%
Computer equipment	—	33%

Freehold land is not depreciated. Assets in the course of construction are not depreciated until they are brought into use. In the opinion of the board the market value of land and buildings is not significantly different to depreciated historical cost.

Investments

Investments in subsidiary undertakings are stated at cost plus incidental costs of acquisition. The company has taken the exemption from preparing consolidated financial statements due to it being an intermediate parent company and all its subsidiaries are included in the consolidated financial statements of a larger group which are publicly available.

Impairment of non-financial assets

At each reporting date, the company considers whether there is any indication that fixed assets (other than goodwill) are impaired. If there is such an indication, the company carries out an impairment test by measuring the asset's recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. If the recoverable amount is less than the carrying amount, an impairment loss is recognised and the asset is written down to its recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost includes all direct expenditure, and is valued on a first in, first out basis.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment using the effective interest rate method. A provision for impairment of trade receivables 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. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flow discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Notes to the financial statements

at 31 December 2019 (Continued)

2. Accounting policies (continued)

Trade and other payables

Trade payables are recognised initially at fair value and, if of a long-term nature, subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short-term deposits.

Income tax

Income tax on the profit for the year may comprise current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

As required by IAS12 (Revised) the company provides deferred income tax using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values. Deferred income taxation is determined using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred tax asset or liability is realised or settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax balances are not discounted.

Pensions

The company operates two company personal pension plans, which are both defined contribution schemes. These are available to all UK employees after an initial qualifying employment period, and both the company and the employee make defined contributions to the schemes. The costs to the company of such contributions are charged to the statement of comprehensive income in the year to which they relate.

Share capital and reserves

Equity comprises issued capital, share premium and reserves, including retained earnings, foreign currency translation, capital redemption and share based payment reserves.

Revenue

Turnover comprises the value of goods and services supplied by the Company, net of value added tax and trade discounts. Customer rebates are charged to the profit and loss account as a reduction in turnover in the same period as related sales.

As required by IFRS 15 Revenue from Contracts with Customers, revenue is recognised on the transfer of control over goods or services to a customer. The company recognises revenue when goods are dispatched and it can be demonstrated that the ownership of the goods and services transfers to the customer. Following an assessment of the impact of IFRS 15, no changes are required to the revenue recognition of the company.

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Notes to the financial statements

at 31 December 2019 (Continued)

2. Accounting policies (continued)

Dividends

In accordance with IAS 10, dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the year in which the distribution is authorised. In the case of interim and special dividends, this is the year in which the board approves those dividends, whilst for the final dividend, this will be the year in which the distribution is approved by the shareholders in general meeting.

Dividends receivable by the holding company from its subsidiaries are recognised when the right to receive the dividend is established. This is normally the same time as the dividend is received in cash.

Derivative financial instruments

The company uses forward contracts for the purpose of hedging against the exchange risk of foreign currency-denominated sales.

Such derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. The company does not apply hedge accounting and accordingly the related derivatives are classified as "held for trading" and changes in fair value are recognised in the company income statement.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates, a level 1 input, at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction.

Exchange differences arising are taken to the income statement as they arise.

Provisions

Provisions are recognised when the company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when that reimbursement is virtually certain. The company does not discount provisions except where the effects of discounting would be material, as in the case of deferred consideration. Where provisions are discounted, the provision is measured at the present value of expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and specific risks of the obligation.

The deferred consideration provision is reviewed at least annually. Changes in the underlying estimate of likely consideration are recognised as an adjustment to the cost of the investment and the provision.

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the board of directors.

Notes to the financial statements

at 31 December 2019 (Continued)

2. Accounting policies (continued)

Critical estimates and judgements

To be able to prepare the financial statements according to FRS101, management and the board of directors must make estimates and assumptions that affect the amounts recorded for asset and liability items and revenue and expenses in the financial statements as well as other information, such as that provided on contingent liabilities. These estimates are based on historical experience and various other assumptions that management and the board believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Areas comprising critical judgement that may significantly impact earnings and the financial position are the valuation and useful economic lives of intangible assets, the valuation of goodwill, provisions for inventory obsolescence and bad debts, the estimate of stage of completion of contract work relating to the sale of safety services, income taxes, and litigation and contingent liabilities, all of which are discussed in the respective notes. The calculation of fair values for assets and liabilities such as goodwill and intangible assets, as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows deriving from or accruing to those assets and liabilities. Judgement is also involved in selecting appropriate discount rates for determining the present value of those future cash flows.

Latchways plc

Notes to the financial statements

at 31 December 2019 (Continued)

3. Segmental reporting

The company has only one segment, being the manufacture and distribution of safety equipment.

The sales analysis in the table below is based on the location of the customer.

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
<i>Continuing operations</i>		
UK	8,187	8,501
Rest of Europe	11,805	11,203
North America	12,835	7,841
Rest of the World	8,123	6,828
	40,950	34,373

4. Finance income/(costs)

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Interest expense:		
Interest payable on MSA Loan	-	(6)
Finance charge on deferred consideration	-	(5)
Interest and similar charges payable	-	(11)
Interest income on bank deposits	3	5
Finance income/(costs) – net	3	(6)

Latchways plc

Notes to the financial statements

at 31 December 2019 (Continued)

5. Profit before income tax

The following items have been included in arriving at profit before taxation:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Staff costs (including restructuring costs)	4,922	5,169
Inventories		
– cost of inventories recognised as an expense (included in cost of sales)	18,865	16,068
Movement in inventory reserve	(256)	2
Depreciation of property, plant and equipment – owned assets	333	486
Depreciation of property, plant and equipment – right of use assets	162	-
Amortisation of intangibles (included in administrative expenses)	367	471
Repairs and maintenance expenditure on property, plant and equipment	130	88
Research and development expenditure	1,989	2,022
Trade receivables (write back)	(3)	(10)
Net loss/(gain) on foreign exchange and foreign exchange contracts	183	(27)

6. Auditors' remuneration

Services provided by the company's auditors

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided by the company.

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Auditors' remuneration – fees payable to the company's auditors for the audit of the financial statements	82	80

Latchways plc

Notes to the financial statements

at 31 December 2019 (Continued)

7. Directors remuneration

	<i>Year ended 31 December 2019 £000</i>	<i>Year ended 31 December 2018 £000</i>
Aggregate remuneration	109	272
Compensation for loss of office	-	429
Company contributions to directors' own pension arrangements	11	43
	<u>120</u>	<u>744</u>

One director (31 December 2018 – one) received a cash allowance in lieu of pension contributions.

No other individuals are deemed, by the directors of the company, to be key management of the company and accordingly no further disclosure of key management remuneration is required other than that presented above.

8. Staff costs (including directors)

	<i>Year ended 31 December 2019 £000</i>	<i>Year ended 31 December 2018 £000</i>
Wages and salaries	3,856	3,855
Compensation for loss of office	-	485
Social security costs	703	497
Other pension costs	363	332
	<u>4,922</u>	<u>5,169</u>

The average monthly number of employees during the year was 114 (31 December 2018 – 112).

Latchways plc

Notes to the financial statements

at 31 December 2019 (Continued)

9. Income tax

(a) Income tax on profit on ordinary activities

Income tax charge in the income statement

	Year ended 31 December 2019	Year ended 31 December 2018
	£000	£000
UK corporation tax on the profit for the year	1,048	538
Adjustments in respect of prior year	(28)	(15)
Total current income tax	1,020	523
Deferred income tax	26	39
Income tax charge in the income statement	1,046	562

(b) Reconciliation of the total income tax charge.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (31 December 2018 – 19%) in the year. The differences are explained below:

	Year ended 31 December 2019	Year ended 31 December 2018
	£000	£000
Accounting profit before taxation	7,026	3,395
Accounting profit before taxation multiplied by standard rate of corporation tax in the UK	1,335	645
Effects of:		
Adjustments to current tax in respect of prior year	(28)	(15)
Patent box tax relief	(232)	(101)
Research and development tax relief	(35)	1
Impact on deferred tax of change in the UK tax rate	-	(5)
Expenses not deductible for tax purposes	6	37
Income tax charge in the income statement	1,046	562

The tax charge relating to components of other comprehensive income in the year is £nil (year ended 31 December 2018 – £nil).

Factors that may affect future tax charges, is the announcement that UK corporation tax rate were expected to reduce to 17% (effective from 1 April 2020). Subsequent to the 31 December 2019 the reduction in corporation tax rates in the UK were not enacted and the tax rates remain at 19%.

Latchways plc

Notes to the financial statements

at 31 December 2019 (Continued)

10. Dividends

	2019	2018
	£000	£000
Interim paid: 2019 – 4.01p per 5p share (2018:13.35 per 5p share)	<u>450</u>	<u>1,500</u>

11. Goodwill

£000

Cost and net book value

At 1 January 2019 and 31 December 2019

453

The goodwill represents goodwill acquired on the acquisition of the WinGrip product range in April 2004.

The recoverable amounts were assessed based on value in use.

Latchways plc

Notes to the financial statements

at 31 December 2019 (Continued)

12. Intangible assets

	<i>Patents and trade- marks</i>	<i>Computer software</i>	<i>Brand names</i>	<i>Intellectual property</i>	<i>Customer relationship</i>	<i>Development costs</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000	£000
Cost:							
At 1 January 2019	1,398	129	173	266	354	3,199	5,519
Additions	95	797	-	-	-	300	1,192
Disposals	(4)	(25)	-	-	-	-	(29)
At 31 December 2019	1,489	901	173	266	354	3,499	6,682
Aggregate amortisation and impairment:							
At 1 January 2019	414	123	173	266	354	2,692	4,022
Charge for the year	70	33	-	-	-	264	367
Disposals	(1)	(25)	-	-	-	-	(26)
At 31 December 2018	483	131	173	266	354	2,956	4,363
Net book value:							
At 31 December 2019	1,006	770	-	-	-	543	2,319
At 1 January 2019	984	6	-	-	-	507	1,497

All amortisation charges in the year have been charged through administrative expenses in the statement of comprehensive income. The following useful lives were determined for the intangible assets acquired in April 2004 and which have been fully amortised in prior years:

Brand names	-	12 years
Intellectual property	-	6 years
Customer relationships	-	8 years
Order book	-	3 months

The brand name acquired by the company in 2004 was "WinGrip".

The customer relationships acquired with the WinGrip product were assessed in terms of retention rates and forecast levels of business. These were considered to have an approximate life of 8 years.

Intellectual property acquired directly by Latchways plc in relation to the acquisition of Height Solutions Ltd in June 2007 was amortised over 10 years.

Development costs are capitalised, where appropriate, in accordance with IAS 38. They are then amortised on a straight-line basis over the first 3 years of the life of the ensuing product, commencing on the date of the first commercial sale. An annual review is undertaken of each capitalised project to ensure that capitalisation remains appropriate.

Latchways plc

Notes to the financial statements

at 31 December 2019 (Continued)

13. Property, plant and equipment

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings, equipment and motor vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2019	6,376	5,305	730	12,411
Additions at cost	-	213	-	213
Disposals	-	(872)	(296)	(1,168)
At 31 December 2019	6,376	4,646	434	11,456
Accumulated depreciation:				
At 1 January 2019	1,108	4,052	678	5,838
Charge for the year	140	165	28	333
Disposals	-	(841)	(286)	(1,127)
At 31 December 2019	1,248	3,376	420	5,044
Net book value:				
At 31 December 2019	5,128	1,270	14	6,412
At 1 January 2019	5,268	1,253	52	6,573

Notes to the financial statements

at 31 December 2019 (Continued)

14. Investments

	2019 £000	2018 £000
Investment in subsidiary undertakings		
As at 1 January	5,348	5,327
Adjustment to prior year estimate of deferred consideration	(6)	21
As at 31 December	<u>5,342</u>	<u>5,348</u>

The subsidiary undertakings are as follows:

Name	Principal activity	Category	Country of registration	% Held
HCL Safety Limited*	Safety system installation and services	Ordinary £1	England and Wales	100%
Sigma 6 d.o.o. (see note 26)	Manufacture and sale of aluminium guardrails	Ordinary 8,800 Euros	Slovenia	100%

* denotes a subsidiary of HCL Group plc which was then transferred to Latchways plc in 2019. The shares were transferred from HCL Group plc to Latchways plc by stock transfer on 22 March 2019.

HCL Group plc was struck off and removed from the Register of Companies on 3 September 2019.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements

at 31 December 2019 (Continued)

15. Inventories

	2019 £000	2018 £000
Raw materials and consumables	10,687	6,264
Finished goods	1,170	1,408
	<u>11,857</u>	<u>7,672</u>

Movements on provision of inventory reserves are as follows:

	2019 £000	2018 £000
At 1 January	814	812
Provision for inventory	64	397
Inventory written off during the year	(320)	(395)
At 31 December	<u>558</u>	<u>814</u>

16. Trade and other receivables

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade receivables	5,242	4,686
Less: provision for impairment of receivables	(6)	(9)
Trade receivables – net	5,236	4,677
Amounts owed by group companies	3,341	2,705
Other receivables	770	90
Prepayments and accrued income	257	516
	<u>9,604</u>	<u>7,988</u>

The amounts owned by group companies have no fixed terms for the repayment.

17. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	<u>2,804</u>	<u>1,575</u>

Notes to the financial statements

at 31 December 2019 (Continued)

18. Trade and other payables

	2019 £000	2018 £000
Trade payables	3,568	1,573
Amounts owed to group companies	722	834
Other taxes and social security costs	144	121
Other creditors	42	38
Accruals	1,137	1,387
	<u>5,613</u>	<u>3,953</u>

The amounts owed to group companies have no fixed terms for the repayment.

19. Current tax /liabilities/(assets)

	2019 £000	2018 £000
Current tax liabilities/(assets)	<u>212</u>	<u>(373)</u>

20. Deferred consideration

	2019 £000	2018 £000
Balance at 1 January	79	97
Adjustment to previous period's estimate	(7)	21
Paid in year	(55)	(47)
Finance charge for discounting of deferred consideration	5	6
Foreign exchange differences	(4)	2
Balance at 31 December	<u>18</u>	<u>79</u>
	<u>2019 £000</u>	<u>2018 £000</u>
Amounts due within 1 year	18	55
Amounts due after more than 1 year	-	24
	<u>18</u>	<u>79</u>

Deferred consideration is contingent and arose on the acquisition of Sigma 6 d.o.o. in April 2008. It is payable over 12 years and is based on annual revenue.

Notes to the financial statements

at 31 December 2019 (Continued)

21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates of between 17% and 19% (31 December 2018 – 17% and 19%). Deferred tax provided relates to accelerated capital allowances. Further changes to the UK corporation tax system were announced in the Budget on 11 March 2020. These include a reversal of the reduction in the main rate of corporation tax disclosed above and it is now expected to remain at 19% from 1 April 2020. This change had not been substantively enacted at the balance sheet date and therefore its effect is not included in these financial statements. The overall effect of the main rate of corporation tax remaining at 19% is not expected to be material to the balance sheet.

The movement in the net deferred tax balance is as shown below:

	31 December 2019 £000	31 December 2018 £000
<i>Non-current</i>		
Net liabilities at 1 January	287	248
Debit to statement of comprehensive income	26	39
Net liabilities at end of the year	<u>313</u>	<u>287</u>

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

22. Issued share capital

		2019		2018
<i>Issued and fully paid</i>	<i>Shares</i>	<i>£000</i>	<i>Shares</i>	<i>£000</i>
Ordinary shares of 5p each	11,235,695	562	11,235,695	562

23. Other financial commitments

The company leases various offices and warehouses under non-cancellable lease agreements. The leases have various terms, escalation clauses and renewal rights. The company also leases plant, machinery and vehicles under non-cancellable lease agreements.

Notes to the financial statements

at 31 December 2019 (Continued)

24. Leases

The company has lease contracts for various items of plant, machinery, vehicles, buildings and other equipment used in its operations. Leases generally have a lease term between 3 and 5 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	Plant and machinery	Motor vehicles	Other equipment	Total
	£000	£000	£000	£000	£000
As at 1 January 2019	-	169	184	5	358
Additions	65	44	-	-	109
Depreciation expense	(12)	(47)	(101)	(2)	(162)
As at 31 December 2019	53	166	83	3	305

Set out below are the carrying amounts of lease liabilities and the movement during the period:

	2019
	£000
As at 1 January 2019	352
Additions	108
Accretion of interest	12
Payments	(176)
As at 31 December 2019	296
Current	116
Non-current	180

The following are the amounts recognised in the profit or loss:

	2019
	£000
Depreciation expense of right-of-use assets	173
Interest expense on lease liabilities	-
Expense relating to short-term leases	-
Expense relating to low-value assets	-
Variable lease payments	-
Total amount recognised in profit or loss	173

Notes to the financial statements

at 31 December 2019 (Continued)

25. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is MSA UK Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party of the company is MSA Safety Incorporated, a company registered in the United States of America.

MSA Safety Incorporated is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. Copies of the MSA Safety Incorporated group financial statements can be obtained from MSA Safety Incorporated's website: www.msasafety.com.

26. Post balance sheet events

Global pandemic

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. Whilst we have not seen a significant impact on our business to date, the outbreak could interfere with general activity levels within the wider MSA Group, including our subsidiary undertakings, the economy and the activities of the wider MSA Group customers. It is not possible to precisely estimate the impact of the outbreak's near-term and longer effects, if any, or governments' varying efforts to combat the outbreak and support businesses. We have considered the impact on the business, this being the case, we do not consider it practicable to provide a precise quantitative or qualitative estimate of the potential impact of this outbreak at this time.

The pandemic is considered an event which is indicative of conditions that arose after the reporting period and as such no adjustments have been made in the Financial Statements as at 31 December 2019 due to the impact of the pandemic.

United Kingdom leaving the European Union

The United Kingdom formally left the European Union on 31 January 2020 and is currently in a transitional period which is due to end on 31 December 2020. During the transitional period negotiations regarding future arrangements with the European Union continue and as a result there is a large amount of uncertainty regarding the future. The director has considered the impact on the financial statements up to the date of signing and does not consider any adjustments are required in respect of this matter.

Transfer of Production

It is planned to move the business operations of the subsidiary company Sigma 6 d.o.o. from Slovenia to the United Kingdom and this should be finalised by the end of 2020.