

OTTER CONTROLS LIMITED
Annual Report and Accounts
Year ended 31st December 2012

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COMPANIES HOUSE

Registered in England and Wales No 406954

OTTER CONTROLS LIMITED

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OTTER CONTROLS LIMITED

DIRECTORS

J W G Preece (resigned 30 July 2012)
D A Smith
B Smith
W R Jolliffe
M L Colling
P Boundy
G Richell (appointed 22nd January 2013)

SECRETARY

R J Hough

REGISTERED OFFICE

Tongue Lane Industrial Estate, Dew Pond Lane,
Fairfield, Buxton, Derbyshire, SK17 7LF

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the audited financial statements for the year ended 31st December 2012

PRINCIPAL ACTIVITY

The principal trading activity of the Group continues to be the manufacture of thermostats

The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note 11 to the financial statements

RESULTS AND REVIEW OF BUSINESS

The Eurozone recession held back the sales of automotive and kettle switches in Europe as compared to the volumes achieved in 2011

Ferro group experienced a 9% increase in sales (in Euros) and although raw material price increases reduced margins, with continued control over overheads they again achieved a satisfactory result

Business levels at St Davids Assemblies were lower in 2012 than the previous year and as a consequence staffing levels were reduced in the first quarter to reduce the company's cost base

Despite continued competition in the kettle protector market the Group maintained its market share in Asia, although at reduced average selling prices for its portfolio of switches, which reduced profits

Profit after taxation of £1,532,862 (2011 £3,594,429) includes £507,000 (2011 £605,000) of other finance income relating to the expected return on pension scheme assets after interest on liabilities in accordance with FRS17

KEY PERFORMANCE INDICATORS

The Board of Directors use the following key performance indicators to measure the performance of the Group compared to the previous year

	2012	2011
Group sales (decrease)/increase compared to previous year (%)	(4)%	6%
Sales per employee (£000)	48	50
Net cash generated from operating activities (£ millions)	3.7	5.2
Shareholders' funds (£ millions)	17.9	18.1
Parent company dividends per share paid in year (pence)	24.85	30.89

OUTLOOK

Continued pressure on selling prices in 2013 indicates that this will be a difficult year for our kettle protector businesses and we are developing new switches with less material content to reduce material costs

We have reduced staff levels at our Buxton site in order to control costs during the ongoing Eurozone recession, and are currently developing several new products which if successful would lead to a rapid increase in sales in new markets

Whilst trading at Ferro group has so far been resilient, management have reduced core staffing levels because of foreseeable risks in its markets

Following a good start to the new financial year at St Davids Assemblies, order levels fell back to a lower level consistent with 2012. However the company has been approached by potential new customers to manufacture goods outside its normal product range using its expertise in high volume manufacturing and the Directors are hopeful that business will expand in these new areas

We have set up a new factory in India to service the local automotive market and provide low cost manufacturing for new products developed by the group from 2013 onwards

The Directors recommend a final dividend of 14 85p per share (2011 14 85p)

GOING CONCERN

As disclosed in the Accounting policies, the financial statements are prepared on the going concern basis

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks faced by the Group and the directors' approach to managing those risks, are disclosed in the Financial Risk Management section in the Accounting Policies notes

DIVIDENDS

Details of dividends paid are as follows

	<u>31 12 12</u>	<u>31 12 11</u>
	£	£
Prior year final of 14 85p per share (2011 20 0p)	61,453	82,764
Interim of 10 0p per share (2011 10 89p)	41,382	45,065
	<u>102,835</u>	<u>127,829</u>

The Directors recommend a final dividend of 14 85p per share (2011 14 85p)

RESEARCH AND FUTURE DEVELOPMENT

The Directors continue to pursue a policy of continual development of both production methods and new product lines for world markets for the future

DIRECTORS

The Directors of the Company during the financial year and thereafter are shown on page 1

D A Smith, B Smith, W R Jolliffe, M L Colling, P Boundy and G Richell retire from the Board by rotation and being eligible offer themselves for re-election

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing 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 those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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

OTTER CONTROLS LIMITED
DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Group purchased and maintained liability insurance for its Directors and Officers as permitted by Section 234 of the Companies Act 2006.

DONATIONS

During the financial year the Group made contributions to charitable causes amounting to £1,058 (2011 £938). No contributions were made for political purposes.

DISABLED PERSONS

The Group's policy is to ensure that equal opportunity is given to applications from disabled persons for employment in the Group. Appropriate training and development opportunities are extended to all employees irrespective of any disability.

Employees becoming disabled during the course of their employment are given, as far as is reasonably practicable, appropriate training and employment facilities.

In recognition of these services the Company holds a Government "Fit for Work" award.

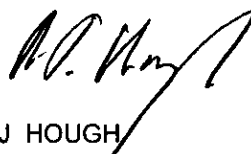
EMPLOYEE INVOLVEMENT

The Group continues to pursue its long established and enlightened policy of involvement with personnel at all levels through monthly Team Briefings and a Staff Works Council. A performance bonus scheme operates for all eligible employees.

AUDITOR

In accordance with Section 487(2) of the Companies Act 2006 a resolution for the reappointment of Deloitte LLP as auditor to the Company will be proposed at the Annual General Meeting.

By Order of the Board



R J HOUGH
Secretary
16th July 2013

OTTER CONTROLS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
Year ended 31st December 2012

	<u>Notes</u>	Year ended <u>31 12 12</u> £	Year ended <u>31 12 11</u> £
<u>TURNOVER</u>	2	52,155,622	54,137,666
Less Cost of sales		38,681,434	38,387,842
		<hr/>	<hr/>
<u>GROSS PROFIT</u>		13,474,188	15,749,824
Less Distribution costs		1,817,649	1,942,204
Administrative expenses		10,133,127	9,819,194
Amortisation of negative goodwill	10	(36,035)	(36,035)
Amortisation of patents	10	110,725	112,512
Other operating income		(552,587)	(215,733)
		<hr/>	<hr/>
<u>OPERATING PROFIT</u>	3	2,001,309	4,127,682
Interest receivable		3,697	6,086
Other finance income	23	507,000	605,000
Interest payable	6	(13,163)	(53,299)
		<hr/>	<hr/>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		2,498,843	4,685,469
Tax on profit on ordinary activities	8	(965,981)	(1,091,040)
		<hr/>	<hr/>
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		1,532,862	3,594,429
Equity minority interests		(262,197)	(572,592)
		<hr/>	<hr/>
<u>PROFIT FOR THE FINANCIAL YEAR</u>	17,18	1,270,665	3,021,837
		<hr/>	<hr/>

All amounts relate to continuing operations

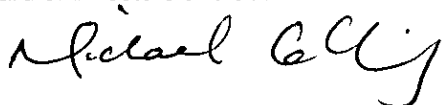
OTTER CONTROLS LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31st December 2012

	<u>Notes</u>	<u>Year ended</u> <u>31 12 12</u> £	<u>Year ended</u> <u>31 12 11</u> £
Profit for the financial year		1,270,665	3,021,837
Actuarial loss on defined benefit scheme	23	(1,335,000)	(4,700,250)
Deferred tax attributable to loss on defined benefit scheme		310,388	1,175,062
Currency translation differences on foreign net investments		(362,406)	337,801
Total gains and losses recognised for the financial year		<u>(116,353)</u>	<u>(165,550)</u>

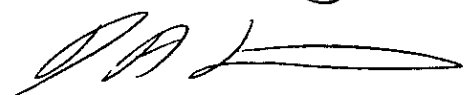
OTTER CONTROLS LIMITED
GROUP BALANCE SHEET
As at 31st December 2012

	Notes	31 12 12	31 12 11
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	9	10,292,035	11,007,561
Intangible assets - patents	10	173,773	249,902
Intangible assets - negative goodwill	10	(188,714)	(224,749)
Investments	11	26,191	0
		<u>10,303,285</u>	<u>11,032,714</u>
<u>CURRENT ASSETS</u>			
Stocks	12	5,522,736	7,526,436
Debtors	13	3,482,917	3,864,369
Cash at bank and in hand		7,606,654	6,635,299
		<u>16,612,307</u>	<u>18,026,104</u>
<u>CREDITORS</u> amounts falling due within one year	14	<u>(5,732,549)</u>	<u>(7,812,815)</u>
<u>NET CURRENT ASSETS</u>		<u>10,879,758</u>	<u>10,213,289</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>21,183,043</u>	<u>21,246,003</u>
<u>CREDITORS</u> amounts falling due after more than one year	14	(83,024)	(158,355)
<u>PROVISION FOR LIABILITIES</u>	15	(354,749)	(242,697)
<u>NET ASSETS EXCLUDING PENSION LIABILITY</u>		<u>20,745,270</u>	<u>20,844,951</u>
Pension liability	23	(262,485)	(321,000)
<u>NET ASSETS INCLUDING PENSION LIABILITY</u>		<u>20,482,785</u>	<u>20,523,951</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	16	413,822	413,822
Other reserves	17	468,767	468,767
Profit and loss account	17	17,051,762	17,263,848
<u>TOTAL SHAREHOLDERS' FUNDS</u>	18	<u>17,934,351</u>	<u>18,146,437</u>
<u>MINORITY INTERESTS</u>	18	<u>2,548,434</u>	<u>2,377,514</u>
<u>CAPITAL EMPLOYED</u>		<u>20,482,785</u>	<u>20,523,951</u>

These financial statements of Otter Controls Limited (Company registration number 406954) were approved by the Board of Directors and authorised for issue on 16th July 2013 and were signed on its behalf by



M L COLLING
Director



D A SMITH
Director

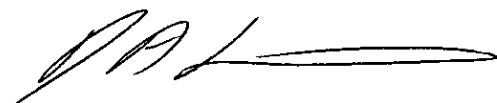
OTTER CONTROLS LIMITED
COMPANY BALANCE SHEET
As at 31st December 2012

	<u>Notes</u>	<u>31 12 12</u>	<u>31 12 11</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	9	5,685,360	5,466,027
Intangible assets	10	110,410	182,001
Investments	11	1,314,571	1,288,380
		<u>7,110,341</u>	<u>6,936,408</u>
<u>CURRENT ASSETS</u>			
Stocks	12	1,373,144	2,023,121
Debtors	13	3,350,851	3,008,275
Cash at bank and in hand		2,483,632	1,949,683
		<u>7,207,627</u>	<u>6,981,079</u>
<u>CREDITORS</u> amounts falling due within one year	14	<u>(6,519,436)</u>	<u>(5,008,115)</u>
<u>NET CURRENT ASSETS</u>		<u>688,191</u>	<u>1,972,964</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>7,798,532</u>	<u>8,909,372</u>
Pension liability	23	<u>(223,342)</u>	<u>(273,000)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u><u>7,575,190</u></u>	<u><u>8,636,372</u></u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	16	413,822	413,822
Capital redemption reserve	17	2	2
Profit and loss account	17	7,161,366	8,222,548
TOTAL SHAREHOLDERS' FUNDS		<u><u>7,575,190</u></u>	<u><u>8,636,372</u></u>

These financial statements of Otter Controls Limited (Company registration number 406954) were approved by the Board of Directors and authorised for issue on 16th July 2013 and were signed on its behalf by



M L COLLING
Director



D A SMITH
Director

OTTER CONTROLS LIMITED
GROUP CASH FLOW STATEMENT
Year ended 31st December 2012

	<u>Notes</u>	<u>Year ended 31 12 12</u>		<u>Year ended 31 12 11</u>	
		£	£	£	£
<u>NET CASH INFLOW FROM OPERATING ACTIVITIES</u>	19		3,702,539		5,173,375
<u>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</u>					
Interest received		3,697		6,086	
Dividends paid to minority shareholders		(107,880)		(179,800)	
Interest paid		(13,163)		(53,299)	
Net cash outflow from returns on investments and servicing of finance			(117,346)		(227,013)
<u>TAXATION</u>			(661,823)		(1,258,086)
<u>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</u>					
Purchase of tangible fixed assets		(1,161,925)		(2,413,811)	
Purchase of intangible assets		(38,073)		(168,212)	
Purchase of investments		(26,191)		-	
Sale of tangible fixed assets		8,525		9,771	
Net cash outflow from capital expenditure			(1,217,664)		(2,572,252)
<u>EQUITY DIVIDENDS PAID</u>			(95,733)		(119,002)
<u>NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</u>			1,609,973		997,022
<u>FINANCING</u>					
Repayment of secured loans			(385,027)		(748,731)
<u>INCREASE IN CASH</u>			1,224,946		248,291
<u>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</u>					
Increase in cash			1,224,946		248,291
Cash outflow from decrease in debt financing			385,027		748,731
Change in net funds resulting from cash flows			1,609,973		997,022
Currency translation differences on net cash balances			(191,843)		128,096
Net opening funds	20		6,096,067		4,970,949
Net closing funds	20		7,514,197		6,096,067

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below, they have all been applied consistently throughout the year and the preceding year

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Basis of consolidation

The consolidated accounts incorporate the financial statements of Otter Controls Limited and its subsidiary undertakings made up to 31st December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The directors acknowledge the latest guidance on going concern as issued by the Financial Reporting Council 'FRC'. Based on internal forecasts and projections that take into account reasonably possible changes in the Group's trading performance, the directors believe that the Group is well-placed to manage its business risks despite the ongoing uncertainty in the global economic environment.

As a result of the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off over its useful economic life, which is 10 years. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Intangible assets - patents

Patents are included at cost and depreciated in equal monthly instalments over their estimated useful economic lives. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of any depreciation and any provision for impairment. Depreciation is provided on all assets at rates calculated to write off the cost, less estimated residual value, of each asset, on a reducing balance basis over its expected useful life as follows:

Freehold land and buildings - 0.5% per month

Leasehold improvements are depreciated over the life of the leases

Plant and machinery, and motor vehicles - 1.5% and 2.5% per month

Residual value is calculated on prices prevailing at the date of acquisition.

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost comprises the actual cost of raw materials and an appropriate proportion of labour and overheads in the case of work in progress and finished goods. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items where appropriate.

Research and development

Research and development expenditure is written off as incurred.

1 ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Leases

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Pensions

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of deferred tax, is presented separately after other net assets on the face of the balance sheet.

The Group recognises an asset in respect of any surplus, being the excess of the value of the assets in the schemes over the present value of the schemes' liabilities, only to the extent that it is able to recover the surplus either through reduced contributions in the future or from refunds from the schemes.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, price risk, credit risk, liquidity risk and capital risk. Risk management for the Group is carried out by the Group Finance department in Buxton under the control of the Group Finance Director, acting within policies set by the Board of Directors.

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2012

1 ACCOUNTING POLICIES (CONTINUED)

Financial risk management (continued)

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, Chinese renminbi and Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management have tried to mitigate foreign exchange risk by invoicing intergroup trading in the same currency to effectively self cover a large portion of the transactions and reduce currency exchange costs to a minimum. The Group have selected the US dollar for these intra-group transactions, as this is the normal trading currency in Asia and it is also pegged against the Chinese renminbi and Hong Kong dollar.

(ii) Price risk

The Group is exposed to commodity price risk principally in metals and oil, which have seen large increases over the last few years. Management have tried to mitigate these increases by giving indicative orders for up to the next 9 months usage at the then price and calling them off as and when the goods are required.

(iii) Credit risk

Credit risk for Otter Controls Limited, Otter Controls (Shenzhen) Limited and Otter Controls (Asia) Limited is carried out by the local Finance departments using trade credit insurance to cover 90% of the outstandings.

(iv) Liquidity risk

Liquidity risk management includes maintaining sufficient cash and having available funding from an adequate number of committed credit facilities, to meet the day to day requirements of the Group. The Group's forecasts and projections show that taking into account reasonably possible changes in the trading performance of the Group, it will be able to operate within the current facilities available.

At 31st December 2012

	£
Group cash at bank	<u>7,606,654</u>

(v) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2 TURNOVER

Turnover comprises the sale of goods and services from continuing operations excluding sales related taxes and after deducting discounts taken and rebates due. Sales are recognised after despatch of the goods and completion of the services. Geographical analysis is as follows:

	United Kingdom		Rest of Europe		Rest of World		Total for Group	
	2012	2011	2012	2011	2012	2011	2012	2011
Turnover by destination	£	£	£	£	£	£	£	£
Sales to third parties	952,963	1,078,443	14,659,730	16,094,668	36,542,929	36,964,555	52,155,622	54,137,666
Turnover by origin								
Sales to third parties	13,036,226	14,117,114	10,843,274	10,215,736	28,276,122	29,804,816	52,155,622	54,137,666

3 OPERATING PROFIT

	Year ended 31 12 12	Year ended 31 12 11
	£	£
Operating profit from continuing operations is stated after charging/(crediting)		
Income from rent of land & buildings and plant	(50,195)	(49,447)
Depreciation	1,743,331	1,654,194
Amortisation of patents	110,725	112,512
Amortisation of negative goodwill	(36,035)	(36,035)
Amortisation of grant income	(6,049)	(6,743)
Loss on disposal of tangible fixed assets	20,314	12,928
Plant and machinery hire	20,768	14,621
Vehicle hire	119,689	107,494
Rent on leasehold land and buildings	308,546	159,351
Foreign exchange loss through profit & loss	<u>127,282</u>	<u>205,022</u>

The analysis of auditor's remuneration is as follows:

Fees payable to the Company's auditor for the audit of the Company's annual accounts	25,000	23,000
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	<u>89,528</u>	<u>67,654</u>
	<u>114,528</u>	<u>90,654</u>

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2012

	Year ended 31 12 12	Year ended 31 12 11
3 <u>OPERATING PROFIT (CONTINUED)</u>		
<u>Staff costs (including Directors)</u>	£	£
Wages and salaries	12,398,178	12,328,645
Social security costs	1,220,179	1,114,600
Other pension costs	964,085	817,452
	<u>14,582,442</u>	<u>14,260,697</u>

The average number of persons (including Directors) employed by the Group during the year was

	Year ended 31 12 12 Number	Year ended 31 12 11 Number
Administrative staff	162	164
Direct production staff	769	762
Indirect production staff	153	153
	<u>1,084</u>	<u>1,079</u>

4 **PROFIT ATTRIBUTABLE TO THE COMPANY**

As permitted by section 408 of the Companies Act 2006, a separate Profit and Loss Account dealing with the results of the Parent Company has not been presented
A loss of £94,142 (2011 profit £888,000) has been reported in the accounts of the Company

	Year ended 31 12 12	Year ended 31 12 11
5 <u>DIRECTORS' REMUNERATION</u>	£	£
Emoluments	638,976	645,264
Contribution to money purchase pension schemes	55,606	53,469
	<u>694,582</u>	<u>698,733</u>

	Number	Number
The number of Directors who		
Are members of a defined benefit scheme	2	3
Are members of a money purchase scheme	4	3

	£	£
Remuneration of highest paid Director		
Emoluments	159,150	183,826
Contribution to money purchase pension schemes	28,071	992
	<u>187,221</u>	<u>184,818</u>

	Year ended 31 12 12	Year ended 31 12 11
6 <u>INTEREST PAYABLE</u>	£	£
Interest payable on bank loans and overdrafts	13,163	53,299

	Year ended 31 12 12	Year ended 31 12 11
7 <u>DIVIDENDS</u>	£	£
Details of dividends paid are as follows		
Prior year final of 14 85p per share (2011 20 0p)	61,453	82,764
Interim of 10 0p per share (2011 10 89p)	41,382	45,065
	<u>102,835</u>	<u>127,829</u>

The Directors recommend a final dividend of 14 85p per share (2011 14 85p)

OTTIE CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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8 TAXATION	Year ended 31 12 12 £	Year ended 31 12 11 £
The tax charge comprises		
<u>Current tax</u>		
UK corporation tax	-	-
Foreign taxation	647,332	837,198
Adjustments in respect of prior years	(39,792)	1,731
Total current tax	607,540	838,929
Deferred tax on pension scheme deficit	337,873	207,272
Origination and reversal of timing differences	20,568	44,839
Total deferred tax	358,441	252,111
Total tax on profit on ordinary activities	965,981	1,091,040

Factors affecting the tax charge for the year

The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom of 24.5% and the differences are explained below

	Year ended 31 12 12 £	Year ended 31 12 11 £
Profit on ordinary activities before taxation	2,498,843	4,685,469
Tax on Group profit on ordinary activities at standard rate of 24.5% (2011 26.5%)	612,217	1,241,649
Effect of		
Rate adjustments relating to overseas profits	(405,124)	(571,033)
Exchange and other adjustments	(9,064)	(270,937)
Expenses not deductible for tax purposes	17,387	4,681
Income deductible for tax purposes	(12,221)	(40,157)
Short term timing differences	(179,382)	(191,361)
Withholding tax	113,238	7,137
Adjustments to prior years	(39,792)	1,731
Transferred to accumulated losses	510,281	657,219
	607,540	838,929

A deferred tax asset of £1,999,000 (2011 £1,369,000) has not been recognised on the basis that the balance will not be recovered by future profits

9 TANGIBLE FIXED ASSETS

	<u>Freehold Land and Buildings</u>	<u>Leasehold Improvements</u>	<u>Plant, Machinery and Motor Vehicles</u>	<u>Total</u>
<u>Group</u>				
<u>Cost</u>	£	£	£	£
<u>At 1st January 2012</u>	6,860,434	1,203,836	40,091,482	48,155,752
Exchange adjustments	(14,014)	(43,273)	(318,346)	(375,633)
Additions	31,263	21,160	1,109,502	1,161,925
Disposals	(400)	(22,115)	(129,469)	(151,984)
<u>At 31st December 2012</u>	6,877,283	1,159,608	40,753,169	48,790,060
<u>Depreciation</u>				
<u>At 1st January 2012</u>	2,871,514	841,617	33,435,060	37,148,191
Exchange adjustments	(5,617)	(31,206)	(233,529)	(270,352)
Charge for year	222,522	59,024	1,461,785	1,743,331
Disposals	(382)	(16,527)	(106,236)	(123,145)
<u>At 31st December 2012</u>	3,088,037	852,908	34,557,080	38,498,025
<u>NET BOOK VALUES</u>				
<u>At 31st December 2012</u>	3,789,246	306,700	6,196,089	10,292,035
<u>At 31st December 2011</u>	3,988,920	362,219	6,656,422	11,007,561

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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9 <u>TANGIBLE FIXED ASSETS (CONTINUED)</u>		<u>Freehold</u> <u>Land and</u> <u>Buildings</u>	<u>Plant,</u> <u>Machinery</u> <u>and Motor</u>	<u>Total</u>
<u>Company</u>				
<u>Cost</u>		£	£	£
<u>At 1st January 2012</u>		4,305,357	26,948,588	31,253,945
<u>Additions</u>		-	893,062	893,062
<u>Disposals</u>		(400)	-	(400)
<u>At 31st December 2012</u>		<u>4,304,957</u>	<u>27,841,650</u>	<u>32,146,607</u>
<u>Depreciation</u>				
<u>At 1st January 2012</u>		1,960,218	23,827,700	25,787,918
<u>Charge for year</u>		136,910	536,801	673,711
<u>Disposals</u>		(382)	-	(382)
<u>At 31st December 2012</u>		<u>2,096,746</u>	<u>24,364,501</u>	<u>26,461,247</u>
<u>NET BOOK VALUES</u>				
<u>At 31st December 2012</u>		<u>2,208,211</u>	<u>3,477,149</u>	<u>5,685,360</u>
<u>At 31st December 2011</u>		<u>2,345,139</u>	<u>3,120,888</u>	<u>5,466,027</u>

10 <u>INTANGIBLE FIXED ASSETS</u>		<u>Negative</u> <u>Goodwill</u>	<u>Goodwill</u>	<u>Patents</u>	<u>Total</u>
<u>Group</u>					
<u>Cost</u>		£	£	£	£
<u>At 1st January 2012</u>		(563,191)	2,093,373	437,688	1,967,870
<u>Additions</u>		-	-	38,073	38,073
<u>Exchange differences</u>		-	-	(5,118)	(5,118)
<u>At 31st December 2012</u>		<u>(563,191)</u>	<u>2,093,373</u>	<u>470,643</u>	<u>2,000,825</u>
<u>Amortisation</u>					
<u>At 1st January 2012</u>		(338,442)	2,093,373	187,786	1,942,717
<u>Exchange differences</u>		-	-	(1,641)	(1,641)
<u>Charge for year</u>		(36,035)	-	110,725	74,690
<u>At 31st December 2012</u>		<u>(374,477)</u>	<u>2,093,373</u>	<u>296,870</u>	<u>2,015,766</u>
<u>NET BOOK VALUE</u>					
<u>At 31st December 2012</u>		<u>(188,714)</u>	<u>-</u>	<u>173,773</u>	<u>(14,941)</u>
<u>At 31st December 2011</u>		<u>(224,749)</u>	<u>-</u>	<u>249,902</u>	<u>25,153</u>

Negative goodwill is released on a straight line basis over 10 years, which is the expected remaining useful economic life of the non-monetary assets to which it relates

<u>Company</u>	<u>Patents</u>
<u>Cost</u>	£
<u>At 1st January 2012</u>	458,194
<u>Additions</u>	10,995
<u>At 31st December 2012</u>	<u>469,189</u>
<u>Amortisation</u>	
<u>At 1st January 2012</u>	276,193
<u>Charge for year</u>	82,586
<u>At 31st December 2012</u>	<u>358,779</u>
<u>NET BOOK VALUE</u>	
<u>At 31st December 2012</u>	<u>110,410</u>
<u>At 31st December 2011</u>	<u>182,001</u>

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2012

11 FIXED ASSET INVESTMENTS

The subsidiaries of the group and the percentage of holdings of ordinary share capital are set out below

Subsidiary	Type of share	Group %	Company %	Country of incorporation	Principal Activities
Tarka Controls Limited	A Ordinary B Ordinary	51 79	51 79	England	Holding company
Montgomery Thermostats Limited	A Ordinary B Ordinary	78 78	nil nil	England	Dormant
Otter Controls (Asia) Limited	Ordinary Preference	84 84	25 25	Hong Kong	Sale of thermostats
Otter Controls (Shenzhen) Limited	Ordinary	84	nil	People's Republic of China	Manufacture of thermostats
Otter Controls (Huizhou) Limited	Ordinary	84	nil	People's Republic of China	Manufacture of thermostats
Ferro Techniek (Holding) B V & subsidiaries	A Ordinary B Ordinary	89 89	49 49	The Netherlands	Manufacture of enamelled products
St Davids Assemblies Limited	Ordinary	60	60	England	Manufacture & assembly of thermostats and their parts
Tarka Limited	Ordinary	84	nil	Hong Kong	Sale of thermostats
Otter Controls India Private Limited	Ordinary	63	nil	India	Manufacture of brushcards

Subsidiary undertakings

Company

Cost

At 1st January 2012 and 31st December 2012

£

2,386,393

Provisions for impairment

At 1st January 2012 and 31st December 2012

1,098,013

Net book value at 31st December 2012

1,288,380

Net book value at 31st December 2011

1,288,380

Trading investments carried at cost

Group & Company

Shares carried at cost

31 12 12

£

26,191

31 12 11

£

-

12 STOCKS

Group

Raw materials and consumables

Work in progress

Finished goods

31 12 12

£

3,275,613

1,365,096

882,027

5,522,736

31 12 11

£

3,405,359

2,751,741

1,369,336

7,526,436

Company

Raw materials and consumables

Work in progress

Finished goods

719,813

418,617

234,714

1,373,144

1,111,375

598,191

313,555

2,023,121

There is no material difference between the balance sheet value of stocks and their replacement cost

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2012

13	DEBTORS	31 12 12	31 12 11
	<u>Group</u>	£	£
	Trade debtors	2,700,744	3,065,467
	Other debtors	606,228	476,911
	Prepayments	175,945	321,991
		<u>3,482,917</u>	<u>3,864,369</u>
	<u>Company</u>		
	Trade debtors	1,212,916	928,020
	Due from subsidiary undertakings	1,851,587	1,579,328
	Other debtors	143,484	60,024
	Prepayments	142,864	440,903
		<u>3,350,851</u>	<u>3,008,275</u>
	All debtors are due within one year		
14	CREDITORS	31 12 12	31 12 11
	<u>Group</u>	£	£
	Amounts falling due within one year		
	Bank loans and overdrafts	92,457	469,950
	Trade creditors	3,118,752	4,367,709
	Corporation tax	258,769	291,880
	Other taxation and social security	269,683	474,632
	Accruals	1,714,698	2,197,662
	Other creditors	278,190	10,982
		<u>5,732,549</u>	<u>7,812,815</u>
	<u>Company</u>		
	Amounts falling due within one year		
	Trade creditors	729,287	1,260,215
	Due to subsidiary undertakings	5,528,246	3,294,633
	Other taxation and social security	127,775	126,856
	Accruals	129,935	317,155
	Other creditors	4,193	9,256
		<u>6,519,436</u>	<u>5,008,115</u>
	<u>Group</u>		
	Amounts falling due after more than one year		
	Bank loans and overdrafts	-	69,282
	Deferred capital grant	83,024	89,073
		<u>83,024</u>	<u>158,355</u>
	<u>Group</u>		
	Age analysis of borrowings falling due		
	Between one and two years	-	37,562
	Between two and five years	-	31,720
	Over five years	-	-
		<u>-</u>	<u>69,282</u>
	On demand or within one year	92,457	469,950
		<u>92,457</u>	<u>539,232</u>

Ferro Techniek Group has Euro denominated bank overdrafts secured on the assets of the business with interest rates of 2.01% and 2.61% as at the balance sheet date

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2012

	Accelerated capital allowances	Tax losses	Guarantee commitments on sales	Total
15 PROVISIONS FOR LIABILITIES				
<u>Group</u>	£	£	£	£
At 1st January 2012	389,975	(197,361)	50,083	242,697
Debit to profit and loss account	20,568	-	97,524	118,092
Exchange differences	(6,040)	-	-	(6,040)
At 31st December 2012	<u>404,503</u>	<u>(197,361)</u>	<u>147,607</u>	<u>354,749</u>
<u>Company</u>				
At 1st January 2012	197,361	(197,361)	-	-
Credit to profit and loss account	-	-	-	-
At 31st December 2012	<u>197,361</u>	<u>(197,361)</u>	<u>-</u>	<u>-</u>
16 SHARE CAPITAL		<u>31 12 12</u>		<u>31 12 11</u>
<u>Allotted, issued and fully paid</u>		£		£
21 'A' ordinary shares of £1 each		21		21
413,801 'B' ordinary shares of £1 each		413,801		413,801
		<u>413,822</u>		<u>413,822</u>
17 RESERVES		Profit and loss account	Other reserves	Total
<u>Group</u>		£	£	£
At 1st January 2012		17,263,848	468,767	17,732,615
Retained profit for year		1,270,665	-	1,270,665
Dividends paid		(95,733)	-	(95,733)
Actuarial loss on pension liability net of deferred tax		(1,024,612)	-	(1,024,612)
Net exchange differences		(362,406)	-	(362,406)
At 31st December 2012		<u>17,051,762</u>	<u>468,767</u>	<u>17,520,529</u>
Other reserves is the capitalisation of reserves in China, which are considered to be non-distributable				
		Profit and loss account	Other reserves	Total
<u>Company</u>		£	£	£
At 1st January 2012		8,222,548	2	8,222,550
Retained loss for year		(94,142)	-	(94,142)
Dividends		(102,835)	-	(102,835)
Actuarial loss on pension liability net of deferred tax		(864,205)	-	(864,205)
At 31st December 2012		<u>7,161,366</u>	<u>2</u>	<u>7,161,368</u>
18 RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDERS' FUNDS AND MINORITY INTERESTS		<u>31 12 12</u>		<u>31 12 11</u>
<u>Group shareholders' funds</u>		£		£
Retained profit for year		1,270,665		3,021,837
Dividends paid on equity shares		(95,733)		(119,002)
Actuarial loss on pension liability net of deferred tax		(1,024,612)		(3,525,188)
Net exchange differences		(362,406)		337,801
		<u>(212,086)</u>		<u>(284,552)</u>
Opening shareholders' funds		18,146,437		18,430,989
Closing shareholders' funds		<u>17,934,351</u>		<u>18,146,437</u>

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18 RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDERS' FUNDS AND MINORITY INTERESTS (CONTINUED)

	<u>31 12 12</u>
	£
<u>Minority Interests</u>	
At 1st January 2012	2,377,514
Profit on ordinary activities after taxation	262,197
Dividends	(107,880)
Share of translation differences	19,687
Cost of investment	(3,084)
At 31st December 2012	<u>2,548,434</u>

19 NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>31 12 12</u>	<u>31 12 11</u>
	£	£
Operating profit	2,001,309	4,127,682
Depreciation and amortisation (including amortisation of capital grants)	1,811,972	1,723,928
FRS 17 pension scheme adjustments	(914,000)	(593,000)
Loss on sale of tangible fixed assets	20,314	12,928
Decrease/(increase) in stocks	2,003,700	(617,432)
Decrease/(increase) in debtors	402,623	(27,186)
(Decrease)/increase in creditors	(1,669,661)	238,616
Increase/(decrease) in provisions	97,524	(5,077)
Currency translation differences	(51,242)	312,916
	<u>3,702,539</u>	<u>5,173,375</u>

20 ANALYSIS OF CHANGES IN NET FUNDS

	<u>As at</u> <u>1 1 12</u>	<u>Cash flow</u>	<u>Exchange</u> <u>movements</u>	<u>As at</u> <u>31 12 12</u>
	£	£	£	£
Cash in hand and at bank	6,635,299			7,606,654
Bank overdrafts	(148,581)			(92,457)
	<u>6,486,718</u>	1,224,946	(197,467)	<u>7,514,197</u>
Bank & other loans due within one year	(321,369)			-
Bank & other loans due after more than one year	(69,282)			-
	<u>(390,651)</u>	385,027	5,624	<u>-</u>
	<u>6,096,067</u>	<u>1,609,973</u>	<u>(191,843)</u>	<u>7,514,197</u>

21 CAPITAL EXPENDITURE COMMITMENTS

	<u>31 12 12</u>	<u>31 12 11</u>
	£	£
<u>Group</u>		
Capital expenditure contracted for but not provided for in these accounts	<u>676,710</u>	<u>426,305</u>
<u>Company</u>		
Capital expenditure contracted for but not provided for in these accounts	<u>619,010</u>	<u>166,602</u>

22 FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	<u>31 12 12</u>	<u>31 12 11</u>
	£	£
Leasehold land and buildings		
Within 1 year	26,102	76,340
Between 1 and 2 years	112,568	-
Between 2 and 5 years	224,783	220,473
	<u>363,453</u>	<u>296,813</u>
Other		
Within 1 year	87,343	94,171
Between 1 and 2 years	9,464	13,601
Between 2 and 5 years	30,769	19,688
	<u>127,576</u>	<u>127,460</u>

23 PENSIONS

Defined Contribution Schemes

The Group operates defined contribution schemes for several of its subsidiaries and for the parent company, the amount charged to the profit and loss account in respect of these pension costs and other post retirement benefits is the contributions payable in the year. The total cost charged to income by the Group in the year at the rates specified in the rules of the plans was £377,300 (2011 £286,226) of which contributions of £16,500 (2011 £14,000) are shown as accruals in the balance sheet

Defined Benefit Scheme

The Company and St Davids Assemblies Ltd are participating employers in the Otter Controls Ltd Retirement Benefits Scheme providing funded benefits based on final pensionable earnings

The assets of the Scheme are held in a separate trustee administered fund

The most recent actuarial valuation of scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2012 by Mr P Cunliffe, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method

The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The accumulated benefit obligation (ABO) is an actuarial measure of the present value for service already rendered but differs from the projected unit credit method in that it includes no assumptions for future salary increases. At the balance sheet date the gross accumulated benefit obligation was £40,741,000 (2011 £36,005,000)

The Retirement Benefit Scheme was closed to employees commencing employment on or after 1st November 2002

FRS 17

Under the provisions of FRS17 Retirement Benefits the following disclosures have been made in respect of the Otter Controls Limited Retirement Benefits Scheme

- a) The scheme is a defined benefit (final salary) funded pension scheme
- b) The most recent full actuarial valuation was carried out at 1st November 2010. The amounts detailed below have been estimated by independent consulting actuaries based on this valuation using approximate actuarial techniques and available information
- c) Employers' contributions including death in service premiums and levies, but excluding administration expenses and life assurance premiums in respect of the year ended 31st December 2012 were £1,413,000 (2011 £1,089,000) for the Group and £1,220,000 (2011 £944,000) for the Company. The current agreement as regards the contribution rate for future years is described in the schedule of contributions dated 15th November 2011
- d) The scheme is closed to new entrants. Under the projected unit method the current service cost (as a percentage of salary) will increase as the members of the Scheme age
- e) The scheme assets do not include investments issued by the sponsoring employers nor any property occupied by the sponsoring employers
- f) The overall expected rate of return on the scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class
- g) The scheme has no contingent assets or liabilities
- h) The impact of the change in the relevant index from RPI to CPI in 2011 in respect of the following, increased the Group pension surplus by £1.8 million (company's share estimated to be £1.5 million)
 - i) Revaluation of deferment for service before 6 April 2009,
 - ii) Pension increases for part of pensions accrued after 5 April 1997 but before 6 April 2005, and
 - iii) Pension increases post 5 April 2005 (capped at 2.5%)

23 PENSIONS (CONTINUED)

Assumptions

The following assumptions have been made as at 31st December 2011 for the purpose of disclosures under FRS 17 for the Group and Company

	31 12 12	31 12 11
	%	%
Rate of increase in salaries	2.5	2.5
Rate of increase in pensions		
Pre 6 April 1997, excess over GMP	0.0	0.0
Post 5 April 1997	2.4	2.4
Post 6 April 2005	2.5	2.5
Rate of revaluation of deferred pensions in excess of GMP		
Service before 6/4/09	2.4	2.4
Service post 5/4/09	2.5	2.5
Expected return on scheme assets	5.4	6.1
Discount rate	4.2	4.7
Inflation assumption		
- RPI	2.9	3.1
- CPI	2.2	2.4
	Years	Years
Life expectancy at retirement age of 63 (2011 65)		
Male	26.6	24.5
Female	28.5	26.4
Life expectancy at 63 if are 43 (2011 at 65 if are 45)		
Male	29.9	27.6
Female	30.5	28.3

Notes

- 1) The discount rate at 31st December 2012 has been based on the yield of an appropriate corporate bond
- 2) The guaranteed pension increases payable are Limited Price Indexation (LPI) increases restricted to 5% on benefits accrued between 6th April 1997 and 5th April 2005 and LPI increases restricted to 2.5% on benefits accrued post 5th April 2005. The Scheme is no longer reserving for and granting discretionary increases on pre 6th April 1997 pensions. Discretionary increases have therefore not been provided for in these calculations.
- 3) Other assumptions are the same as those used in the ongoing actuarial valuation as at 1st November 2010. The post retirement mortality assumptions used to value the benefit obligation as at 31 December 2012 are based on the PCxA00 Year of Birth LC tables (2011 PCxA00 Year of Birth LC tables).

Fair value and expected return on assets

The fair market value and expected return on assets at 31st December 2012 were as follows

<u>Group</u>	Long term rate of return expected			Market Value		
	31 12 12	31 12 11	31 12 10	31 12 12	31 12 11	31 12 10
	%	%	%	£	£	£
Equities	6.9	7.1	7.2	25,874,000	26,647,000	29,223,000
Bonds	3.5	4.1	5.0	10,757,000	5,372,000	3,926,000
Property	6.9	7.1	7.2	236,000	463,000	-
Other	0.5	0.5	0.5	3,532,000	3,095,000	3,209,000
Total fair market value				<u>40,399,000</u>	<u>35,577,000</u>	<u>36,358,000</u>
<u>Company</u>	Long term rate of return expected			Market Value		
	31 12 12	31 12 11	31 12 10	31 12 12	31 12 11	31 12 10
	%	%	%	£	£	£
Equities	6.9	7.1	7.2	22,107,000	22,727,000	24,680,000
Bonds	3.5	4.1	5.0	9,191,000	4,582,000	3,316,000
Property	6.9	7.1	7.2	202,000	394,000	-
Other	0.5	0.5	0.5	3,018,000	2,640,000	2,709,000
Total fair market value				<u>34,518,000</u>	<u>30,343,000</u>	<u>30,705,000</u>

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2012

23 PENSIONS (CONTINUED)

	Group 31 12 12 £	Group 31 12 11 £	Group 31 12 10 £	Company 31 12 12 £	Company 31 12 11 £	Company 31 12 10 £
Reconciliation to the balance sheet						
Total fair market value of assets	40,399,000	35,577,000	36,358,000	34,518,000	30,343,000	30,705,000
Less present value of scheme liabilities	40,741,000	36,005,000	32,259,000	34,809,000	30,707,000	27,244,000
(Deficit)/surplus in the scheme	(342,000)	(428,000)	4,099,000	(291,000)	(364,000)	3,461,000
Irrecoverable surplus	-	-	(1,024,750)	-	-	(865,250)
Recognisable (liability)/asset before deferred tax	(342,000)	(428,000)	3,074,250	(291,000)	(364,000)	2,595,750
Deferred tax asset/(liability)	79,515	107,000	(860,790)	67,658	91,000	(726,810)
Net pension (liability)/asset	(262,485)	(321,000)	2,213,460	(223,342)	(273,000)	1,868,940

	Group 31 12 12 £	Group 31 12 11 £	Company 31 12 12 £	Company 31 12 11 £
Changes in the present value of the defined benefit obligation are as follows				
Opening defined benefit obligation	36,005,000	32,259,000	30,707,000	27,244,000
Service cost	499,000	496,000	453,000	446,000
Interest cost	1,695,000	1,745,000	1,447,000	1,475,000
Employee contributions	263,000	270,000	237,000	245,000
Actuarial loss	2,901,000	1,879,000	2,482,000	1,848,000
Benefits paid	(622,000)	(644,000)	(517,000)	(551,000)
Closing defined benefit obligation	40,741,000	36,005,000	34,809,000	30,707,000

	Group 31 12 12 £	Group 31 12 11 £	Company 31 12 12 £	Company 31 12 11 £
Changes in the present value of the plan assets are as follows				
Opening fair value of the scheme assets	35,577,000	36,358,000	30,343,000	30,705,000
Expected return	2,202,000	2,350,000	1,879,000	1,986,000
Actuarial gain/(loss)	1,566,000	(3,846,000)	1,356,000	(2,986,000)
Employer contributions	1,413,000	1,089,000	1,220,000	944,000
Employee contributions	263,000	270,000	237,000	245,000
Benefits paid	(622,000)	(644,000)	(517,000)	(551,000)
Closing fair value of scheme assets	40,399,000	35,577,000	34,518,000	30,343,000

	Group 31 12 12 £	Group 31 12 11 £	Company 31 12 12 £	Company 31 12 11 £
The amounts recognised in the profit and loss account are as follows				
Defined benefit service cost	499,000	496,000	453,000	446,000
Defined contribution scheme costs	377,300	286,226	179,577	94,448
Life assurance and other costs	87,785	35,226	77,233	32,447
Prior year adjustment	-	-	-	8,784
	964,085	817,452	709,810	581,679

	Group 31 12 12 £	Group 31 12 11 £	Company 31 12 12 £	Company 31 12 11 £
Analysis of amount credited to other finance income				
Expected return on pension scheme assets	2,202,000	2,350,000	1,879,000	1,986,000
Interest on pension scheme liabilities	(1,695,000)	(1,745,000)	(1,447,000)	(1,475,000)
Net return	507,000	605,000	432,000	511,000

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2012

23 PENSIONS (CONTINUED)	Group	Group	Company	Company
<u>Amounts recognised in the statement of total</u>	31 12 12	31 12 11	31 12 12	31 12 11
<u>recognised gains and losses</u>	£	£	£	£
Actual return less expected return on pension scheme assets	1,566,000	(3,846,000)	1,356,000	(2,986,000)
Gains & losses arising on the scheme liabilities	160,000	286,000	147,000	32,000
Irrecoverable surplus	-	1,024,750	-	865,250
Changes in assumptions underlying the present value of the scheme liabilities	(3,061,000)	(2,165,000)	(2,629,000)	(1,880,000)
	<u>(1,335,000)</u>	<u>(4,700,250)</u>	<u>(1,126,000)</u>	<u>(3,968,750)</u>

The cumulative amount of actuarial gains and losses recognised in the group statement of total recognised gains and losses, net of tax, is a loss of £2,336,339 (2011 loss of £1,311,727)

<u>History of experience gains and losses</u>	Group	Group	Group	Group	Group
<u>Group</u>	31 12 12	31 12 11	31 12 10	31 12 09	31 12 08
	£	£	£	£	£
Fair value of plan assets	40,399,000	35,577,000	36,358,000	33,509,000	31,537,000
Less present value of defined benefit obligation	40,741,000	36,005,000	32,259,000	31,140,000	29,192,000
(Deficit)/surplus in the plan	<u>(342,000)</u>	<u>(428,000)</u>	<u>4,099,000</u>	<u>2,369,000</u>	<u>2,345,000</u>
Experience adjustments arising on plan assets	1,566,000	(3,846,000)	2,504,000	2,913,000	(10,601,000)
% of present value of scheme liabilities	4%	(11)%	8%	9%	(36)%
Experience adjustments arising on plan liabilities	2,901,000	1,879,000	(1,819,000)	451,000	610,000
% of scheme assets	7%	5%	(5)%	1%	2%
	Company	Company	Company	Company	Company
	31 12 12	31 12 11	31 12 10	31 12 09	31 12 08
	£	£	£	£	£
Fair value of plan assets	34,518,000	30,343,000	30,705,000	27,898,000	26,612,000
Less present value of defined benefit obligation	34,809,000	30,707,000	27,244,000	25,925,000	24,633,000
Surplus in the plan	<u>(291,000)</u>	<u>(364,000)</u>	<u>3,461,000</u>	<u>1,973,000</u>	<u>1,979,000</u>
Experience adjustments arising on plan assets	1,356,000	(2,986,000)	2,417,000	2,353,000	(9,063,000)
% of present value of scheme liabilities	4%	(10)%	9%	8%	(34)%
Experience adjustments arising on plan liabilities	2,482,000	1,848,000	(1,824,000)	388,000	525,000
% of scheme assets	7%	6%	(6)%	1%	2%

24 RELATED PARTIES

The following related party transactions were made during the year

During the year the parent company sold goods to St Davids Assemblies Ltd totalling £628,948 (2011 £514,952)

and at the year end £998,971 (2011 £502,849) was owed

During the year the parent company sold goods to Otter Controls (Shenzhen) Ltd totalling £4,156,892 (2011 £5,216,049)

and at the year end £279,370 (2011 £812,322) was owed

During the year the parent company sold goods and services to Otter Controls (Asia) Ltd totalling £1,576,428

(2011 £1,553,686) and at the year end £144,546 (2011 £nil) was owed

During the year the parent company sold goods to Otter Controls (Huizhou) Ltd totalling £428,700 (2011 £nil)

and at the year end £428,700 (2011 £nil) was owed

During the year the parent company purchased goods from St Davids Assemblies Ltd totalling £1,567,322

(2011 £1,457,133) and at the year end £578,920 (2011 £41,690) was owed

During the year the parent company purchased goods from Otter Controls (Shenzhen) Ltd totalling £775,259

(2011 £1,763,650) and at the year end £nil (2011 £302,456) was owed

During the year the parent company purchased goods from Otter Controls (Huizhou) Ltd totalling £119,021

(2011 £nil) and at the year end £15,633 (2011 £nil) was owed

During the year the parent company purchased services from Otter Controls (Asia) Ltd totalling £66,411

(2011 £68,744) and at the year end £5,267 (2011 £nil) was owed

There were no transactions between the parent company and Montgomery Thermostats Limited and at the year end the parent owed £1,743 (2011 £1,743)

There were no sales of goods between the parent company and Tarka Controls Limited and at the year end the parent owed £4,926,683 (2011 £3,234,740) Dividends of £823,890 (2011 £823,890) were paid to the parent company

OTTER CONTROLS LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF OTTER CONTROLS LIMITED

We have audited the financial statements of Otter Controls Limited for the year ended 31 December 2012 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group and Parent company balance sheets, the Group cash flow statement and the related notes 1 to 24

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Parent company's affairs as at 31 December 2012 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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 Parent company 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



Timothy Edge BSc ACA
Senior Statutory Auditor
For and on behalf of Deloitte UK LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
16th July 2013