

OTTER CONTROLS LIMITED

Annual Report and Accounts

Year ended 31st December 2015

Registered in England and Wales No. 406954

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## OTTER CONTROLS LIMITED

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## OTTER CONTROLS LIMITED

### DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the audited financial statements for the year ended 31st December 2015.

### GOING CONCERN

After making enquiries and based on the assumptions outlined in note 1 to the financial statements, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

### DIRECTORS

The Directors who served during the year and thereafter, unless otherwise stated were:

D.A.Smith  
B.Smith  
W.R.Jolliffe  
M.L.Colling  
P.Boundy  
S.M.Whiteley  
J.J.B.M.Derksen

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

### DIVIDENDS

	<u>31.12.15</u>	<u>31.12.14</u>
Details of dividends paid are as follows:	£	£
Prior year final of 10.0p per share (2014: 10.0p)	41,382	41,382
Interim of 5.0p per share (2014: 5.0p)	20,691	20,691
	<u>62,073</u>	<u>62,073</u>

The Directors recommend a final dividend of 10.00p per share (2014: 10.0p). This has not been accrued for at the year end as it has yet to be approved by shareholders.

### EMPLOYEES

The average number of staff during the year was 881 (2014: 897) and details of the split and related costs can be found in note 3 to the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### BUSINESS REVIEW

The year ended 31 December 2015 saw the Group produce a profit on ordinary activities before taxation of £3,971,560 (2014: £4,162,905). Turnover increased to £59,654,367 and average staff numbers decreased from 897 to 881.

### RESEARCH AND DEVELOPMENT

The Group's main research and development centre is at the Group's headquarters in Buxton, where considerable work is undertaken by experienced staff on the development of new products for the Group's companies.

The expenditure for the year ended 31 December 2015 was £1,503,046 (2014: £1,462,323).

## OTTER CONTROLS LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

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

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

#### DIRECTORS AND OFFICERS LIABILITY INSURANCE

During the year liability insurance for its Directors and Officers as permitted by Section 232(2) of the Companies Act 2006 was maintained.

#### FINANCIAL RISK MANAGEMENT

Details regarding the Group's financial risk management are contained in the strategic report section of these financial statements.

#### AUDITOR

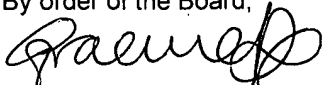
Each of the persons who is a Director at the date of approval of this report confirms that:

- 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 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 Section 418 of the Companies Act 2006.

In accordance with Section 485 of the Companies Act 2006, a resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the next Directors' meeting.

By order of the Board,



G. Brown

Secretary

Otter Controls Limited

Unit 12

Tongue Lane Industrial Estate

Fairfield

Buxton

Derbyshire

30 September 2016

OTTER CONTROLS LIMITED  
STRATEGIC REPORT

BUSINESS MODEL

Otter Group is a global manufacturer of bimetal controls, mouldings, enamelled products and thick film heating elements. The Group operates in Europe and Asia, with the majority of its sales in those two regions.

STRATEGY AND OBJECTIVES

The long term vision of the management team is that of making a £70 million turnover business by the year 2020. This will be achieved by both sustainable organic growth in existing markets and via expansion into new markets by the introduction of new product ranges and by the acquisition of existing businesses in that new market. In line with that vision the Group acquired Dunford & Pearson Limited on the 31 December 2015 (see note 25).

PRINCIPAL RISKS AND FINANCIAL RISK MANAGEMENT

The Group's is exposed 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.

There are a number of companies that provide products similar to those of the Group and compete in the Group's chosen markets, resulting in the risk of loss of revenue and downward pressure on selling prices. In order to assess this risk a regular review of the Group's markets is undertaken and the activities of competitors are monitored. The development of innovative products and services and maintaining close relationships with major customers are seen as key to maintaining the Group's position in those competitive markets.

The Group is exposed to commodity price risk principally in metals and oil, which have seen large fluctuations over the last few years. Management have tried to mitigate any 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.

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 reduced foreign exchange risk by invoicing intergroup trading in the same currency to 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 in Asia, as this is the normal trading currency in Asia and it is also pegged against the Chinese renminbi and Hong Kong dollar. In Europe the Group have selected the Euro.

Credit risk management for Otter Controls Limited, Otter Controls (Shenzhen) Limited and Otter Controls (Asia) Limited is carried out by the local finance teams using trade credit insurance to cover 90% of the outstanding trade debtors.

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.

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 or sell assets or shares.

KEY PERFORMANCE INDICATORS

The Board of Directors use the following key performance indicators to measure Group performance:

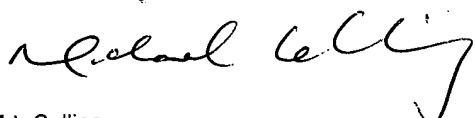
	2015	2014
Group sales increase compared to previous year/period (%)	5%	4%
Sales per employee (£000)	68	63
Group shareholders' funds (£ millions)	26.9	21.5

FUTURE DEVELOPMENTS

Although the Directors expect the general level of sales to remain consistent with 2015, certain companies in the Group are going through considerable changes in 2016 and management expect reduced profits in 2016. Following intense price pressure from Chinese competitors, the Group has closed the more expensive of its two Chinese factories and combined operations onto the other site. Management expect that the considerable reduction in both fixed and variable costs from this relocation will allow the Group to reduce prices to maintain its market share. The main customers of L.C. Switchgear Limited have continued to delay their spending plans into 2016 and the company has taken action to reduce overheads including several redundancies and a move to a cheaper premises.

The audited financial statements of the Company and the Group for the year ended 31st December 2015 are set out on pages 4 to 24.

The strategic report of Otter Controls Limited was approved by the Board of Directors and signed on its behalf on the 30 September 2016 by:



M.L. Colling  
Director

**OTTER CONTROLS LIMITED**  
**GROUP PROFIT AND LOSS ACCOUNT**  
**Year ended 31st December 2015**

	<u>Notes</u>	<u>Year ended</u> <u>31.12.15</u> £	<u>Year ended</u> <u>31.12.14</u> £
<u>TURNOVER</u>	2	59,654,367	56,774,781
Less: Cost of sales		(42,562,780)	(40,025,620)
<u>GROSS PROFIT</u>		17,091,587	16,749,161
Less: Distribution costs		(1,675,730)	(1,787,904)
Administrative expenses		(11,208,468)	(11,335,657)
Amortisation of goodwill	10	(477,648)	(477,648)
Amortisation of negative goodwill	10	36,035	36,035
Amortisation of patents	10	(40,605)	(3,966)
Other operating income		188,410	186,884
<u>OPERATING PROFIT</u>	3	3,913,581	3,366,905
Finance costs (net)	6	47,979	796,000
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		3,961,560	4,162,905
Tax on profit on ordinary activities	8	(321,688)	(1,355,050)
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		3,639,872	2,807,855
Equity minority interests	18	(472,316)	(240,358)
<u>PROFIT FOR THE FINANCIAL YEAR</u>	17	3,167,556	2,567,497

All amounts relate to continuing operations in both the current and prior year.

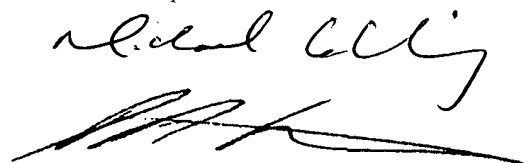
OTTER CONTROLS LIMITED  
GROUP STATEMENT OF COMPREHENSIVE INCOME  
Year ended 31st December 2015

	<u>Notes</u>	Year ended <u>31.12.15</u> £	Year ended <u>31.12.14</u> £
PROFIT FOR THE FINANCIAL YEAR		3,167,556	2,567,497
Currency translation difference on foreign currency net investments		353,865	(226,302)
Actuarial profit/(loss) on defined benefit scheme		2,565,000	(1,528,000)
Tax on actuarial (profit)/loss. on defined benefit scheme		(513,000)	305,600
Share of reserves on conversion of fully convertible debentures		(134,147)	-
Loss on deregistration		(38,711)	-
<u>TOTAL COMPREHENSIVE INCOME</u>	17	<u>5,400,563</u>	<u>1,118,795</u>

**OTTER CONTROLS LIMITED**  
**GROUP BALANCE SHEET**  
**As at 31st December 2015**

	Notes	31.12.15		31.12.14	
		£	£	£	£
<b><u>FIXED ASSETS</u></b>					
Tangible assets	9		10,795,098		10,785,677
Intangible assets - patents	10		62,246		102,623
Intangible assets - goodwill	10		4,293,642		4,218,577
Intangible assets - negative goodwill	10		(80,609)		(116,644)
Investments	11		0		5,378
			<u>15,070,377</u>		<u>14,995,611</u>
<b><u>CURRENT ASSETS</u></b>					
Stocks	12	6,814,559		8,597,316	
Debtors	13	8,176,668		5,951,179	
Cash at bank and in hand		7,930,593		3,460,976	
		<u>22,921,820</u>		<u>18,009,471</u>	
<b><u>CREDITORS:</u></b> amounts falling due within one year	14	<u>(8,787,586)</u>		<u>(8,592,769)</u>	
<b><u>NET CURRENT ASSETS</u></b>			<u>14,134,234</u>		<u>9,416,702</u>
<b><u>TOTAL ASSETS LESS CURRENT LIABILITIES</u></b>			<u>29,204,611</u>		<u>24,412,313</u>
<b><u>CREDITORS:</u></b> amounts falling due after more than one year	14		(645,737)		(135,171)
<b><u>PROVISION FOR LIABILITIES</u></b>	15		<u>(1,448,393)</u>		<u>(334,187)</u>
<b>NET ASSETS EXCLUDING PENSION ASSET</b>			<u>27,110,481</u>		<u>23,942,955</u>
Pension asset	23		3,368,000		780,000
<b>NET ASSETS INCLUDING PENSION ASSET</b>			<u><u>30,478,481</u></u>		<u><u>24,722,955</u></u>
<b><u>CAPITAL AND RESERVES</u></b>					
Called up share capital	16		413,822		413,822
Other reserves	17		468,767		468,767
Profit and loss account	17		26,000,193		20,657,416
<b>TOTAL SHAREHOLDERS' FUNDS</b>	18		<u>26,882,782</u>		<u>21,540,005</u>
<b>MINORITY INTERESTS</b>	18		<u>3,595,699</u>		<u>3,182,950</u>
<b>CAPITAL EMPLOYED</b>			<u><u>30,478,481</u></u>		<u><u>24,722,955</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 30 September 2016 and were signed on its behalf by:



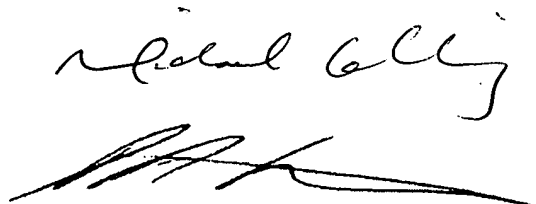
M.L. COLLING  
Director

D.A. SMITH  
Director

OTTER CONTROLS LIMITED  
COMPANY BALANCE SHEET  
As at 31st December 2015

	Notes	31.12.15		31.12.14	
		£	£	£	£
<u>FIXED ASSETS</u>					
Tangible assets	9		5,068,415		5,597,325
Intangible assets	10		46,160		67,202
Investments	11		8,847,725		8,838,393
			<u>13,962,300</u>		<u>14,502,920</u>
<u>CURRENT ASSETS</u>					
Stocks	12	1,487,707		1,573,801	
Debtors	13	3,701,387		3,392,938	
Cash at bank and in hand		980,013		11,338	
		<u>6,169,107</u>		<u>4,978,077</u>	
<u>CREDITORS:</u> amounts falling due within one year	14	(9,276,948)		(11,017,248)	
<u>NET CURRENT LIABILITIES</u>			<u>(3,107,841)</u>		<u>(6,039,171)</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			10,854,459		8,463,749
<u>PROVISION FOR LIABILITIES</u>	15		(590,200)		(136,600)
<u>NET ASSETS EXCLUDING PENSION ASSET</u>			<u>10,264,259</u>		<u>8,327,149</u>
Pension asset	23		2,951,000		683,000
<u>NET ASSETS INCLUDING PENSION ASSET</u>			<u>13,215,259</u>		<u>9,010,149</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		12,801,435		8,596,325
<u>TOTAL SHAREHOLDERS' FUNDS</u>			<u>13,215,259</u>		<u>9,010,149</u>

These financial statements of Otter Controls Limited (Company registration number 406954) were approved by the Board of Directors and authorised for issue on 30 September 2016 and were signed on its behalf by:



M.L. COLLING  
Director

D.A. SMITH  
Director

**OTTER CONTROLS LIMITED**  
**GROUP STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31st December 2015**

	Called up share capital	Other Reserves	Profit and loss account	Total before MI	Minority Interests	Total
	£	£	£	£	£	£
<b>Group Statement of Changes in Equity</b>						
At 1st January 2014	413,822	468,767	19,596,407	20,478,996	3,014,499	23,493,495
Profit for year			2,567,497	2,567,497	240,358	2,807,855
Dividends paid on equity shares			(57,786)	(57,786)	(71,920)	(129,706)
Actuarial loss on defined benefit scheme			(1,528,000)	(1,528,000)	-	(1,528,000)
Tax on actuarial loss on defined benefit scheme			305,600	305,600	-	305,600
Currency translation differences on foreign net investments			(226,302)	(226,302)	13	(226,289)
At 31st December 2014	413,822	468,767	20,657,416	21,540,005	3,182,950	24,722,955
Profit for year			3,167,556	3,167,556	472,316	3,639,872
Dividends paid on equity shares			(57,786)	(57,786)	(107,880)	(165,666)
Actuarial profit on defined benefit scheme			2,565,000	2,565,000	-	2,565,000
Tax on actuarial profit on defined benefit scheme			(513,000)	(513,000)	-	(513,000)
Share of reserves on conversion of fully convertible debentures			(134,147)	(134,147)	134,147	0
Loss on deregistration			(38,711)	(38,711)	(7,572)	(46,283)
Minority share of goodwill on acquisition					(137,075)	(137,075)
Currency translation differences on foreign net investments			353,865	353,865	58,813	412,678
At 31st December 2015	413,822	468,767	26,000,193	26,882,782	3,595,699	30,478,481

	Called up share capital	Other Reserves	Profit and loss account	Total
	£	£	£	£
<b>Company Statement of Changes in Equity</b>				
At 1st January 2014	413,822	2	7,758,149	8,171,973
Profit for year			1,959,449	1,959,449
Dividends paid on equity shares			(62,073)	(62,073)
Actuarial loss on defined benefit scheme			(1,324,000)	(1,324,000)
Tax on actuarial loss on defined benefit scheme			264,800	264,800
At 31st December 2014	413,822	2	8,596,325	9,010,149
Profit for year			2,485,583	2,485,583
Dividends paid on equity shares			(62,073)	(62,073)
Actuarial profit on defined benefit scheme			2,227,000	2,227,000
Tax on actuarial profit on defined benefit scheme			(445,400)	(445,400)
At 31st December 2015	413,822	2	12,801,435	13,215,259

There were no differences from the profit for the financial year ending 31 December 2014 and net assets under previous UK GAAP and that under FRS 102.

The accompanying notes form part of these financial statements.

OTTER CONTROLS LIMITED  
GROUP CASH FLOW STATEMENT  
Year ended 31st December 2015

	<u>Notes</u>	<u>Year ended 31.12.15</u>		<u>Year ended 31.12.14</u>	
		£	£	£	£
<u>NET CASH INFLOW FROM OPERATING ACTIVITIES</u>	19		7,879,434		2,355,814
<u>Cash flows from investing activities</u>					
Purchase of tangible fixed assets		(2,283,643)		(2,974,748)	
Refund of intangible assets		0		691	
Proceeds on sale of investments		8,053		0	
Proceeds on sale of tangible fixed assets		211,558		238,620	
Net cash flow from acquisition of subsidiary		(609,269)		0	
Net cash flows from investing activities			(2,673,301)		(2,735,437)
<u>Cash flows from financing activities</u>					
Equity dividends paid		(57,786)		(57,786)	
Interest received		24,185		16,363	
Dividends paid to minority shareholders		(107,880)		(71,920)	
Grant funds received		0		28,327	
Interest paid		(3,206)		(363)	
Repayment of secured loans and overdrafts		0		(52,369)	
Net cash flows from financing activities			(144,687)		(137,748)
<u>TAXATION</u>			(709,327)		(1,464,098)
<u>INCREASE/(DECREASE) IN CASH</u>			4,352,119		(1,981,469)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase/(decrease) in cash		4,352,119	(1,981,469)
Cash (inflow)/outflow from debt financing		(218,045)	52,369
Currency translation differences on net cash balances		117,427	159,651
Change in net funds resulting from cash flows		4,251,501	(1,769,449)
Net opening funds	20	3,460,976	5,230,425
Net closing funds	20	7,712,477	3,460,976

1 ACCOUNTING POLICIES

Otter Controls Limited is a company incorporated in the United Kingdom under the Companies Act and the address of the registered office is Dew Pond Lane, Tongue Lane Industrial Estate, Buxton, Derbyshire. The nature of the group's operations and its principal activities are set out in the Strategic Report and note 11. The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. The financial statements have not been restated as there are no material adjustments on adoption of FRS 102 in the current year. The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Following a reduction in the sales order book in 2016, the value of the investment in L.C.S Holdings Limited has been reviewed by the Directors. Based on current trading and following a reduction in headcount the Directors believe that no write down of the investment is required at this time.

Assumptions have been made as at 31st December 2015 for the purpose of disclosures under FRS102 for the Group and Company of the costs, assets and liabilities of the Group's various pension schemes (note 23).

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 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.

**1 ACCOUNTING POLICIES (CONTINUED)**

Research and development

Research and development expenditure is written off as incurred.

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.

Hire purchase and operating leases

Assets obtained under hire purchase agreements are capitalised in the balance sheet and depreciated over their useful useful lives. The interest element of these obligations is charged to the profit and loss account over the relevant period.

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.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

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.

## 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	
	2015	2014	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£	£	£
Turnover by destination:								
Sales to third parties	7,936,852	7,932,483	17,917,004	15,873,546	33,800,511	32,968,752	59,654,367	56,774,781
Turnover by origin:								
Sales to third parties	18,866,487	19,549,575	13,650,794	10,838,554	27,137,086	26,386,652	59,654,367	56,774,781

## 3 OPERATING PROFIT

Operating profit from continuing operations is stated after charging/(crediting):

	Year ended 31.12.15 £	Year ended 31.12.14 £
Income from rent of land & buildings and plant	(42,994)	(49,969)
Cost of stock sold	(28,078,635)	(25,885,367)
Depreciation	2,043,718	1,838,144
Amortisation of patents	40,605	3,966
Amortisation of negative goodwill	(36,035)	(36,035)
Amortisation of goodwill	477,648	477,648
Amortisation of grant income	(10,925)	(9,086)
(Profit)/loss on disposal of tangible fixed assets	(11,365)	5,410
Plant and machinery hire	9,687	11,922
Vehicle hire	55,603	82,477
Rent on leasehold land and buildings	798,355	325,913
Research and development costs	1,503,046	1,462,323
Foreign exchange (gain)/loss through profit & loss	(26,888)	115,082

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	25,500	25,500
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	94,960	90,044
	<u>120,460</u>	<u>115,544</u>

There were no non-audit fees payable to the Group's auditor in the year (2014: nil).

### Staff costs (including Directors)

	£	£
Wages and salaries	12,953,947	12,927,526
Social security costs	1,540,237	1,397,974
Pension costs	1,303,176	1,230,680
Severance payments	598,038	100,582
	<u>16,395,398</u>	<u>15,656,762</u>

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

	Year ended 31.12.15 Number	Year ended 31.12.14 Number
Administrative staff	189	183
Direct production staff	592	598
Indirect production staff	100	116
	<u>881</u>	<u>897</u>

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**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 profit of £2,485,583 (2014: profit £1,959,449) has been reported in the accounts of the Company.

<b>5 DIRECTORS' REMUNERATION</b>	Year ended 31.12.15 £	Year ended 31.12.14 £
Emoluments	768,006	737,099
Contribution to money purchase pension schemes	36,082	52,759
	<u>804,088</u>	<u>789,858</u>
The number of Directors who:	Number	Number
Are members of a defined benefit scheme	3	2
Are members of a money purchase scheme	<u>4</u>	<u>4</u>
Remuneration of highest paid Director:	£	£
Emoluments	192,336	180,223
Contribution to money purchase pension schemes	0	0
	<u>192,336</u>	<u>180,223</u>

<b>6 FINANCE COSTS (NET)</b>	Year ended 31.12.15 £	Year ended 31.12.14 £
a. Investment income		
Bank interest receivable	24,185	16,363
Other finance income (note 23)	27,000	780,000
	<u>51,185</u>	<u>796,363</u>
b. Interest payable on bank loans and overdrafts	1,288	0
Interest payable on hire purchase agreements	1,918	363
	<u>3,206</u>	<u>363</u>
Finance costs (net)	<u>47,979</u>	<u>796,000</u>

<b>7 DIVIDENDS</b>	Year ended 31.12.15 £	Year ended 31.12.14 £
Details of dividends paid are as follows:		
Prior year final of 10.0p per share (2014: 10.0p)	41,382	41,382
Interim of 5.0p per share (2014: 5.0p)	20,691	20,691
	<u>62,073</u>	<u>62,073</u>

The Directors recommend a final dividend of 10.00p per share (2013: 10.0p).

<b>8 TAXATION</b>	Year ended 31.12.15	Year ended 31.12.14
The tax charge comprises:		
<u>Current tax</u>	£	£
UK corporation tax	309,944	525,676
UK Research & Development credit	(86,041)	0
Foreign taxation	563,404	663,963
Adjustments in respect of prior years	(444,564)	14,731
Total current tax	<u>342,743</u>	<u>1,204,370</u>
<u>Deferred tax</u>		
Deferred tax on pension scheme deficit	4,600	183,820
Origination and reversal of timing differences	(25,655)	(33,140)
Total deferred tax	<u>(21,055)</u>	<u>150,680</u>
Total tax on profit on ordinary activities	<u>321,688</u>	<u>1,355,050</u>

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**8 TAXATION (CONTINUED)**

Factors affecting the corporation tax charge for the year:	Year ended 31.12.15 £	Year ended 31.12.14 £
The year's assessed tax differs from the UK standard rate of 20.25% and the differences are explained below:		
Profit on ordinary activities before taxation	3,961,560	4,162,905
Tax on Group profit on ordinary activities at standard rate of 20.25% (2014: 21.5%)	802,216	895,025
Effect of:		
Overseas profits rate and provisional tax adjustments	22,532	(197,816)
Exchange and other adjustments	(13,156)	(103,418)
Expenses not deductible for tax purposes	97,232	21,723
Income deductible for tax purposes	(2,212)	(7,764)
Short term timing differences	(78,852)	5,785
Withholding tax	44,218	185,445
UK Research & Development credit	(86,041)	0
Adjustments to prior years	(444,564)	14,731
Small companies rate adjustment	0	4,579
Tax losses adjustments	(19,685)	536,760
Total tax	321,688	1,355,050

A deferred tax asset of £1,478,000 (2014: £1,969,000) in respect of tax losses and capital allowances has not been recognised on the basis of uncertainty that the balance will be recovered by future profits.

	Freehold Land and Buildings	Leasehold Improvements	Plant, Machinery and Motor Vehicles	Total
<b>9 TANGIBLE FIXED ASSETS</b>				
<u>Group</u>				
<u>Cost</u>	£	£	£	£
<u>At 1st January 2015</u>	6,820,304	1,876,668	44,888,219	53,585,191
Exchange adjustments	(4,774)	13,989	382,232	391,447
Acquisitions	0	0	124,933	124,933
Additions	0	23,065	2,260,578	2,283,643
Disposals	0	(1,198,332)	(1,211,119)	(2,409,451)
<u>At 31st December 2015</u>	<u>6,815,530</u>	<u>715,390</u>	<u>46,444,843</u>	<u>53,975,763</u>
<u>Depreciation</u>				
<u>At 1st January 2015</u>	3,546,282	1,030,379	38,222,853	42,799,514
Exchange adjustments	22,657	10,115	427,762	460,534
Acquisitions	0	0	86,157	86,157
Charge for year	211,023	144,656	1,688,039	2,043,718
Disposals	0	(1,002,230)	(1,207,028)	(2,209,258)
<u>At 31st December 2015</u>	<u>3,779,962</u>	<u>182,920</u>	<u>39,217,783</u>	<u>43,180,665</u>
<u>NET BOOK VALUES</u>				
<u>At 31st December 2015</u>	<u>3,035,568</u>	<u>532,470</u>	<u>7,227,060</u>	<u>10,795,098</u>
<u>At 31st December 2014</u>	<u>3,274,022</u>	<u>846,289</u>	<u>6,665,366</u>	<u>10,785,677</u>

Plant and machinery includes capital under construction of £935,332 (2014: £1,400,515) which is not depreciated.

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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>£</u>	<u>£</u>	<u>£</u>
<u>At 1st January 2015</u>		4,304,957	29,356,277	33,661,234
<u>Additions</u>		-	247,677	247,677
<u>Disposals</u>		0	(83,504)	(83,504)
<u>At 31st December 2015</u>		<u>4,304,957</u>	<u>29,520,450</u>	<u>33,825,407</u>
<u>Depreciation</u>				
<u>At 1st January 2015</u>		2,347,054	25,716,855	28,063,909
<u>Charge for year</u>		114,305	658,394	772,699
<u>Disposals</u>		0	(79,616)	(79,616)
<u>At 31st December 2015</u>		<u>2,461,359</u>	<u>26,295,633</u>	<u>28,756,992</u>
<u>NET BOOK VALUES</u>				
<u>At 31st December 2015</u>		<u>1,843,598</u>	<u>3,224,817</u>	<u>5,068,415</u>
<u>At 31st December 2014</u>		<u>1,957,903</u>	<u>3,639,422</u>	<u>5,597,325</u>
10 <u>INTANGIBLE FIXED ASSETS</u>		<u>Negative</u> <u>Goodwill</u>	<u>Goodwill</u>	<u>Patents</u>
<u>Group</u>				
<u>Cost</u>		<u>£</u>	<u>£</u>	<u>£</u>
<u>At 1st January 2015</u>	(563,191)	6,869,206	477,188	6,783,203
<u>Additions</u>	-	552,713	-	552,713
<u>Exchange differences</u>	-	-	1,931	1,931
<u>At 31st December 2015</u>	<u>(563,191)</u>	<u>7,421,919</u>	<u>479,119</u>	<u>7,337,847</u>
<u>Amortisation</u>				
<u>At 1st January 2015</u>	(446,547)	2,650,629	374,565	2,578,647
<u>Exchange differences</u>	-	-	1,703	1,703
<u>Charge for year</u>	(36,035)	477,648	40,605	482,218
<u>At 31st December 2015</u>	<u>(482,582)</u>	<u>3,128,277</u>	<u>416,873</u>	<u>3,062,568</u>
<u>NET BOOK VALUE</u>				
<u>At 31st December 2015</u>	<u>(80,609)</u>	<u>4,293,642</u>	<u>62,246</u>	<u>4,275,279</u>
<u>At 31st December 2014</u>	<u>(116,644)</u>	<u>4,218,577</u>	<u>102,623</u>	<u>4,204,556</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>£</u>
<u>At 1st January 2015 and 31st December 2015</u>	<u>470,149</u>
<u>Amortisation</u>	
<u>At 1st January 2015</u>	402,947
<u>Charge for year</u>	21,042
<u>At 31st December 2015</u>	<u>423,989</u>
<u>NET BOOK VALUE</u>	
<u>At 31st December 2015</u>	<u>46,160</u>
<u>At 31st December 2014</u>	<u>67,202</u>

**OTTER CONTROLS LIMITED**  
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**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	51	51	England	Holding company
	B Ordinary	79	79		
Montgomery Thermostats Limited	A Ordinary	78	nil	England	Dormant
	B Ordinary	78	nil		
Otter Controls (Asia) Limited	Ordinary	84	25	Hong Kong	Sale of thermostats
	Preference	84	25		
Otter Controls (Shenzhen) Limited	Ordinary	84	nil	China	Manufacture of thermostats
Otter Controls (Huizhou) Limited	Ordinary	84	nil	China	Manufacture of thermostats
Ferro Techniek (Holding) B.V.	A Ordinary	89	49	The Netherlands	Holding company
	B Ordinary	89	49		
Ferro Techniek B.V.	Ordinary	89	0	The Netherlands	Manufacture of enamelled products
Ferro Electronics Kft	Ordinary	89	0	Hungary	Manufacture of enamelled products
Ferro Techniek Colombia SAS	Ordinary	89	0	Colombia	Manufacture of enamelled products
St. Davids Assemblies Limited	Ordinary	60	60	England	Manufacture & assembly of thermostats and their parts
Otter Controls India Private Limited	Ordinary	82	nil	India	Manufacture of brushcards
L.C.S. Holdings Limited	Ordinary	100	100	England	Holding company
L.C. Switchgear Limited	Ordinary	100	nil	England	Manufacture of switchgear
Dunford & Pearson Limited	Ordinary	100	nil	England	Manufacture of wiring harnesses

Subsidiary undertakings

Company

Cost

At 1st January 2015 £ 9,931,028

Additions 14,710

At 31st December 2015 9,945,738

Provisions for impairment

At 1st January 2015 & 31st December 2015 1,098,013

Net book value at 31st December 2015 8,847,725

Net book value at 31st December 2014 8,833,015

Trading investments carried at cost

Group & Company

Shares at cost	£ 0	£ 26,191
Impairment	0	(20,813)
Shares at market value	<u>0</u>	<u>5,378</u>

**12 STOCKS**

Group

Raw materials and consumables	31.12.15 £ 4,366,476	31.12.14 £ 5,202,027
Work in progress	1,341,383	1,948,897
Finished goods	1,106,700	1,446,392
	<u>6,814,559</u>	<u>8,597,316</u>

**OTTER CONTROLS LIMITED**  
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<b>12 STOCKS (CONTINUED)</b>	<b>31.12.15</b>	<b>31.12.14</b>
<u>Company</u>	£	£
Raw materials and consumables	853,793	827,877
Work in progress	396,783	497,198
Finished goods	237,131	248,726
	<u>1,487,707</u>	<u>1,573,801</u>

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

<b>13 DEBTORS</b>	<b>31.12.15</b>	<b>31.12.14</b>
<u>Group</u>	£	£
Trade debtors	6,372,480	4,751,584
Corporation tax recoverable	76,433	7,770
Other debtors	781,108	838,547
Prepayments	946,647	353,278
	<u>8,176,668</u>	<u>5,951,179</u>
<u>Company</u>		
Trade debtors	1,163,612	1,013,197
Due from subsidiary undertakings	2,285,504	2,092,074
Other debtors	68,959	73,137
Prepayments	183,312	214,530
	<u>3,701,387</u>	<u>3,392,938</u>

All debtors are due within one year.

<b>14 CREDITORS</b>	<b>31.12.15</b>	<b>31.12.14</b>
<u>Group</u>	£	£
Amounts falling due within one year:		
Bank loans and overdrafts	218,116	0
Obligations under hire purchase agreements	14,921	8,952
Trade creditors	5,149,029	4,513,571
Corporation tax	391,364	622,117
Other taxation and social security	347,354	697,950
Accruals	2,316,878	1,972,383
Other creditors	349,924	777,796
	<u>8,787,586</u>	<u>8,592,769</u>
<u>Company</u>		
Amounts falling due within one year:		
Trade creditors	723,901	941,919
Due to subsidiary undertakings	8,173,582	8,984,999
Other taxation and social security	98,039	98,025
Accruals	280,331	218,137
Other creditors	1,095	774,168
	<u>9,276,948</u>	<u>11,017,248</u>
<u>Group</u>		
Amounts falling due after more than one year:		
Obligations under hire purchase agreements	29,870	38,379
Other creditors	530,000	0
Deferred capital grant	85,867	96,792
	<u>645,737</u>	<u>135,171</u>
<u>Group</u>		
Age analysis of borrowings falling due:		
On demand or within one year	233,037	8,952
Between one and five years	29,870	38,379
	<u>262,907</u>	<u>47,331</u>

Ferro Techniek Group has Euro denominated bank overdrafts secured on the assets of the business with interest rates of 1.823% and 2.523% as at the balance sheet date.

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15	<u>PROVISIONS FOR LIABILITIES</u>	Deferred tax on pensions	Accelerated capital allowances	Guarantee commitments on sales	Total
	<u>Group</u>	£	£	£	£
	<u>At 1st January 2015</u>	156,000	133,999	44,188	334,187
	On acquisition	0	2,797	0	2,797
	Debit to profit and loss account	4,600	(25,655)	642,479	621,424
	Charge taken to statement of changes in equity	513,000	0	0	513,000
	Exchange differences	0	(4,185)	(18,830)	(23,015)
	<u>At 31st December 2015</u>	<u>673,600</u>	<u>106,956</u>	<u>667,837</u>	<u>1,448,393</u>
	<u>Company</u>	£	£	£	£
	<u>At 1st January 2015</u>	136,600	0	0	136,600
	Debit to profit and loss account	8,200	0	0	8,200
	Charge taken to statement of changes in equity	445,400	0	0	445,400
	<u>At 31st December 2015</u>	<u>590,200</u>	<u>0</u>	<u>0</u>	<u>590,200</u>

Provisions include an amount of £657,837 relating to the rework and replacement of steam evaporators by Ferro Technik BV arising from the supply of the incorrect grade of steel by its sub contractor.

16	<u>SHARE CAPITAL</u>	<u>31.12.15</u>	<u>31.12.14</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

Called up share capital represents the nominal value of shares that have been issued.

Other reserves relate to the capitalisation of reserves in China, which are considered to be non-distributable.

Profit and loss account includes all current and prior period retained profits and losses.

18 MINORITY INTERESTS

	<u>31.12.15</u>
	£
<u>At 1st January 2015</u>	3,182,950
Profit on ordinary activities after taxation	472,316
Dividends	(107,880)
Adjustment on conversion of convertible debentures into shares	134,147
Share of goodwill on acquisition	(137,075)
Share of loss on deregistration	(7,572)
Share of translation differences	58,813
<u>At 31st December 2015</u>	<u>3,595,699</u>

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**19 NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>31.12.15</u>	<u>31.12.14</u>
	£	£
Operating profit	3,913,581	3,366,905
Depreciation and amortisation (including amortisation of capital grants)	2,515,011	2,274,637
Increase in purchased goodwill	(14,710)	0
FRS 102 pension scheme adjustments	4,000	(236,000)
(Profit)/Loss on sale of tangible fixed assets	(11,365)	5,410
Profit on sale of investments	(2,675)	0
Decrease/(Increase) in stocks	2,147,085	(1,286,679)
Increase in debtors	(1,556,727)	(1,727,250)
(Decrease)/increase in creditors	(119,154)	325,665
Increase/(decrease) in provisions	639,682	(12,786)
Currency translation differences	325,995	(374,901)
Reduction in value of investments	38,711	20,813
	<u>7,879,434</u>	<u>2,355,814</u>

**20 ANALYSIS OF CHANGES IN NET FUNDS**

	<u>As at</u>	<u>Cash flow</u>	<u>Exchange</u>	<u>As at</u>
	<u>1.1.15</u>		<u>movements</u>	<u>31.12.15</u>
	£	£	£	£
Cash in hand and at bank	3,460,976	4,352,119	117,498	7,930,593
Bank overdrafts	0	(218,045)	(71)	(218,116)
	<u>3,460,976</u>	<u>4,134,074</u>	<u>117,427</u>	<u>7,712,477</u>

**21 CAPITAL EXPENDITURE COMMITMENTS**

	<u>31.12.15</u>	<u>31.12.14</u>
	£	£
<u>Group</u>		
Capital expenditure contracted for but not provided for in these accounts	<u>317,967</u>	<u>610,670</u>
<u>Company</u>		
Capital expenditure contracted for but not provided for in these accounts	<u>0</u>	<u>465,952</u>

**22 FINANCIAL COMMITMENTS**

Total commitments under non-cancellable operating leases are as follows:

	<u>31.12.15</u>	<u>31.12.14</u>
	£	£
Leasehold land and buildings		
Within 1 year	191,211	127,662
Between 1 and 2 years	181,090	33,740
Between 2 and 5 years	406,784	869,129
Over 5 years	0	14,542
	<u>779,085</u>	<u>1,045,073</u>
Other		
Within 1 year	60,897	50,945
Between 1 and 2 years	43,282	61,439
Between 2 and 5 years	28,629	215,464
	<u>132,808</u>	<u>327,848</u>

## 23 EMPLOYEE BENEFITS

### 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 £599,674 (2014: £582,973) of which contributions of £22,048 (2014: £20,761) 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 2015 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 £69,337,000 (2014: £72,233,000).

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

### FRS 102

Under the provisions of FRS102 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 2013. 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 2015 were £733,000 (2014: £859,000) for the Group and £689,000 (2014: £807,000) for the Company. The current agreement as regards the contribution rate for future years is described in the schedule of contributions dated 18 August 2014.
- 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 EMPLOYEE BENEFITS (CONTINUED)

Assumptions:

The following assumptions have been made as at 31st December 2015 for the purpose of disclosures under FRS 102 for the Group and Company:

	31.12.15	31.12.14
	%	%
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	2.9	2.9
Post 6 April 2005	2.3	2.3
Rate of revaluation of deferred pensions in excess of GMP:		
Service before 6/4/09	2.1	2.1
Service post 5/4/09	2.5	2.5
Expected return on scheme assets	6.0	6.0
Discount rate	3.7	3.4
Inflation assumption		
- RPI	3.1	3.1
- CPI	2.1	2.1

	Years	Years
	Male	Female
Life expectancy at retirement age of 63	24.5	24.4
	26.7	26.6
Life expectancy at 63 if aged 43 now	26.8	26.7
	28.7	28.6

Notes:

- 1) The discount rate at 31st December 2015 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 2013. The post retirement mortality assumptions used to value the benefit obligation as at 31 December 2015 are based on the PCxA00 Year of Birth LC tables (2013: 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 2015 were as follows:

<u>Group</u>	Long term rate of return expected			Market Value		
	31.12.15	31.12.14	31.12.13	31.12.15	31.12.14	31.12.13
	%	%	%	£	£	£
Equities	7.6	7.6	6.9	27,569,000	26,743,000	25,386,000
Bonds	4.3	4.3	3.5	19,560,000	19,535,000	16,700,000
Property	6.6	6.6	6.9	282,000	249,000	224,000
Other	0.5	0.5	0.5	3,510,000	3,187,000	2,486,000
Insured assets				21,784,000	23,299,000	24,076,000
Total fair market value				<u>72,705,000</u>	<u>73,013,000</u>	<u>68,872,000</u>

<u>Company</u>	Long term rate of return expected			Market Value		
	31.12.15	31.12.14	31.12.13	31.12.15	31.12.14	31.12.13
	%	%	%	£	£	£
Equities	7.6	7.6	6.9	24,150,000	23,415,000	21,616,000
Bonds	4.3	4.3	3.5	17,134,000	17,104,000	14,220,000
Property	6.6	6.6	6.9	247,000	218,000	191,000
Other	0.5	0.5	0.5	3,075,000	2,790,000	2,117,000
Insured assets				19,537,000	20,892,000	21,597,000
Total fair market value				<u>64,143,000</u>	<u>64,419,000</u>	<u>59,741,000</u>

OTTER CONTROLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31st December 2015

23 EMPLOYEE BENEFITS (CONTINUED)

	Group 31.12.15	Group 31.12.14	Group 31.12.13	Company 31.12.15	Company 31.12.14	Company 31.12.13
	£	£	£	£	£	£
<u>Reconciliation to the balance sheet</u>						
Total fair market value of assets	72,705,000	73,013,000	68,872,000	64,143,000	64,419,000	59,741,000
Less: present value of scheme liabilities	(69,337,000)	(72,233,000)	(67,580,000)	(61,192,000)	(63,736,000)	(58,641,000)
Recognisable asset/(liability) pre deferred tax	3,368,000	780,000	1,292,000	2,951,000	683,000	1,100,000

	Group 31.12.15	Group 31.12.14	Company 31.12.15	Company 31.12.14
	£	£	£	£
<u>Changes in the present value of the defined benefit obligation are as follows:</u>				
Opening defined benefit obligation	72,233,000	67,580,000	63,736,000	58,641,000
Service cost and expenses	630,000	516,000	575,000	469,000
Interest cost	2,451,000	2,939,000	2,163,000	2,549,000
Employee contributions	212,000	231,000	193,000	208,000
Actuarial loss	(3,605,000)	3,259,000	(3,166,000)	3,948,000
Benefits paid	(2,584,000)	(2,292,000)	(2,309,000)	(2,079,000)
Closing defined benefit obligation	69,337,000	72,233,000	61,192,000	63,736,000

	Group 31.12.15	Group 31.12.14	Company 31.12.14	Company 31.12.14
	£	£	£	£
<u>Changes in the present value of the plan assets are as follows:</u>				
Opening fair value of the scheme assets	73,013,000	68,872,000	64,419,000	59,741,000
Expected return	2,478,000	3,000,000	2,187,000	2,602,000
Actuarial gain	(1,040,000)	2,450,000	(939,000)	3,236,000
Employer contributions	626,000	752,000	592,000	711,000
Employee contributions	212,000	231,000	193,000	208,000
Benefits paid	(2,584,000)	(2,292,000)	(2,309,000)	(2,079,000)
Closing fair value of scheme assets	72,705,000	73,013,000	64,143,000	64,419,000

	Group 31.12.15	Group 31.12.14	Company 31.12.15	Company 31.12.14
	£	£	£	£
<u>The amounts recognised in the profit and loss account are as follows:</u>				
Defined benefit service cost	523,000	516,000	478,000	373,000
Expenses	107,000	107,000	97,000	96,000
Net interest cost	(27,000)	(61,000)	(24,000)	(53,000)
Defined benefit scheme total cost	603,000	562,000	551,000	416,000
Defined contribution scheme costs	599,674	582,973	218,685	214,226
Life assurance and other costs	100,502	85,707	91,091	77,950
	1,303,176	1,230,680	860,776	708,176

	Group 31.12.15	Group 31.12.14	Company 31.12.15	Company 31.12.14
	£	£	£	£
<u>Analysis of amount credited to other finance income:</u>				
Expected return on pension scheme assets	2,478,000	3,000,000	2,187,000	2,602,000
Interest on pension scheme liabilities	(2,451,000)	(2,939,000)	(2,163,000)	(2,549,000)
Net return	27,000	61,000	24,000	53,000

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2015**

**23 EMPLOYEE BENEFITS (CONTINUED)**

<u>Amounts recognised in the statement of</u> <u>recognised gains and losses:</u>	Group 31.12.15 £	Group 31.12.14 £	Company 31.12.15 £	Company 31.12.14 £
Actual return less expected return on pension scheme assets	(1,040,000)	2,450,000	(939,000)	3,236,000
Gains & losses arising on the scheme liabilities	251,000	704,000	217,000	(490,000)
Changes in assumptions underlying the present value of the scheme liabilities	3,354,000	(3,963,000)	2,949,000	(3,458,000)
	<u>2,565,000</u>	<u>(809,000)</u>	<u>2,227,000</u>	<u>(712,000)</u>

The cumulative amount of actuarial gains and losses recognised in the group statement of changes of equity, is a loss of £4,726,474 (2014: loss of £2,672,474).

<u>History of experience gains and losses:</u> <u>Group</u>	Group 31.12.15 £	Group 31.12.14 £	Company 31.12.15 £	Company 31.12.14 £
Fair value of plan assets	72,705,000	73,013,000	64,143,000	64,419,000
Less: present value of defined benefit obligation	(69,337,000)	(72,233,000)	(61,192,000)	(63,736,000)
Surplus/(deficit) in the plan	<u>3,368,000</u>	<u>780,000</u>	<u>2,951,000</u>	<u>683,000</u>
Experience adjustments arising on plan assets	(1,040,000)	2,450,000	(939,000)	3,236,000
% of present value of scheme liabilities	-1%	3%	-2%	-(5)%
Experience adjustments arising on plan liabilities	251,000	704,000	217,000	(490,000)
% of scheme assets	0%	1%	0%	-1%

**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 £86,306 (2014: £50,780) and at the year end £328,522 (2014: £498,956) was owed.

During the year the parent company sold goods to Otter Controls (Shenzhen) Ltd. totalling £1,836,041 (2014: £1,621,584) and at the year end £1,230,115 (2014: £1,267,132) was owed.

During the year the parent company sold goods and services to Otter Controls (Asia) Ltd. totalling £1,392,264 (2014: £1,352,157) and at the year end £nil (2014: £nil) was owed.

During the year the parent company sold goods to Otter Controls (Huizhou) Ltd. totalling £360,103 (2014: £768,157) and at the year end £388,017 (2014: £99,538) was owed.

During the year the parent company purchased goods from St Davids Assemblies Ltd. totalling £542,832 (2014: £1,047,324) and at the year end £12,814 (2014: £72,354) was owed.

During the year the parent company purchased goods from Otter Controls (Shenzhen) Ltd. totalling £89,040 (2014: £26,697) and at the year end £30,312 (2014: £11,061) was owed.

During the year the parent company purchased goods from Otter Controls (Huizhou) Ltd. totalling £nil (2014: £153,059) and at the year end £nil (2014: £nil) was owed.

During the year the parent company purchased services from Otter Controls (Asia) Ltd. totalling £92,772 (2014: £79,161) and at the year end £nil (2014: £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 (2014: £1,743).

There were no sales of goods between the parent company and Tarka Controls Limited and at the year end the parent owed £8,132,087 (2014: £8,659,764). Dividends of £386,454 (2014: £257,636) were paid to the parent company.

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2015**

**25 BUSINESS COMBINATIONS**

On 31st December 2015, the Group acquired all of the ordinary share capital of Dunford & Pearson Limited, a company based in Stafford in the United Kingdom, that specialises in the manufacture of electro-mechanical assemblies, control panels, wiring harnesses and cable assemblies, for a total consideration of £1,608,005 (including acquisition costs) of which £530,000 is deferred (see note 14).

Details of net assets acquired by the Group and goodwill are as follows:

	£
Purchase consideration including related acquisition costs	1,608,005
Fair value of net assets (see below)	(932,927)
Goodwill	<u>675,078</u>

Fair value of net assets at acquisition date:	Fair value	Acquirees carrying value
	£	£
Property, plant and equipment	38,776	38,776
Stock	364,328	364,328
Trade and other receivables	600,099	600,099
Cash	470,612	470,612
Bank overdraft	(1,876)	(1,876)
Trade and other payables	(536,215)	(536,215)
Deferred tax and other provisions	(2,797)	(2,797)
	<u>932,927</u>	<u>932,927</u>

As the intermediate holding company that purchased the share is not wholly owned, £137,075 of the goodwill is shown in Minority Interests (note 18).

**26 EXPLANATION OF TRANSITION TO FRS 102**

This is the first year that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition.

The last financial statements prepared under UK GAAP were for the period ended 31st December 2014 and the date of transition to FRS 102 was therefore 1st January 2014.

As a consequence of adopting FRS 102, there were no material accounting policy changes to comply with that standard. As such, there are no differences from the profit for the financial year ending 31 December 2014 and net assets under previous UK GAAP and that under FRS 102.

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 2015 which comprise the Group profit and loss account, the Group statement of comprehensive income, the Group and Parent company balance sheets, the Group statement of changes in equity, the company statement of changes in equity, the Group cash flow statement and the related notes 1 to 26.

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) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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](http://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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 and of the Group's 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.

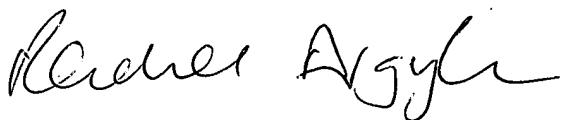
OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES' ACT 2006

In our opinion the information given in the Directors' Report and Strategic 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.



Rachel Argyle  
Senior Statutory Auditor  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom  
30 September 2016