

OTTER CONTROLS LIMITED  
Annual Report and Accounts  
Year ended 31st December 2014



## 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 2014.

### 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  
G.Richell (resigned 30 June 2014)  
S.M.Whiteley (appointed 1 April 2015)  
J.J.B.M.Derksen (appointed 1 April 2015)

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

Details of dividends paid are as follows:

	<u>31.12.14</u>	<u>31.12.13</u>
	£	£
Prior year final of 10.0p per share (2013: 14.85p)	41,382	61,453
Interim of 5.0p per share (2013: 10.0p)	20,691	41,382
	<u>62,073</u>	<u>102,835</u>

The Directors recommend a final dividend of 10.00p per share (2013: 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 897 (2013: 912) 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.

### 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). 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.

## OTTER CONTROLS LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)

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,



M.L. Colling

Secretary

Otter Controls Limited

Unit 12

Tongue Lane Industrial Estate

Fairfield

Buxton

Derbyshire

30 July 2015

OTTER CONTROLS LIMITED  
STRATEGIC REPORT

BUSINESS MODEL

Otter Group is a leading 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.

On 5th November 2013 Otter Group completed the acquisition of the share capital of LCS Holdings Limited, the holding company of the LCS Group of companies. Since the acquisition the LCS Group has continued to trade at a satisfactory level.

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.

PRINCIPAL RISKS AND 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.

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.

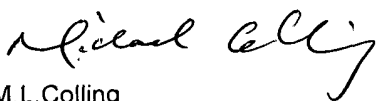
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust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

BUSINESS REVIEW

The year ended 31st December 2014 saw the Group produce a profit on ordinary activities before taxation of £4,162,905 (2013: £3,344,574). Turnover increased to £56,774,781 and average staff numbers decreased from 912 to 897.

The audited financial statements of the Company and the Group for the year ended 31st December 2014 are set out on pages 4 to 23.

The strategic report of Otter Controls Limited was approved by the Board of Directors and signed on its behalf on the 30 July 2015 by:

  
M.L. Colling  
Director

OTTER CONTROLS LIMITED  
GROUP PROFIT AND LOSS ACCOUNT  
Year ended 31st December 2014

	<u>Notes</u>	Year ended <u>31.12.14</u> £	Year ended <u>31.12.13</u> £
<u>TURNOVER</u>	2	56,774,781	54,487,331
Less: Cost of sales		(40,025,620)	(40,266,704)
<u>GROSS PROFIT</u>		16,749,161	14,220,627
Less: Distribution costs		(1,787,904)	(1,488,253)
Administrative expenses		(11,335,657)	(9,952,099)
Amortisation of goodwill	10	(477,648)	(79,608)
Amortisation of negative goodwill	10	36,035	36,035
Amortisation of patents	10	(3,966)	(52,854)
Other operating income		186,884	188,782
<u>OPERATING PROFIT</u>	3	3,366,905	2,872,630
Interest receivable		16,363	4,407
Other finance income	23	780,000	470,000
Interest payable	6	(363)	(2,463)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		4,162,905	3,344,574
Tax on profit on ordinary activities	8	(1,355,050)	(1,220,618)
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		2,807,855	2,123,956
Equity minority interests	18	(240,358)	(572,657)
<u>PROFIT FOR THE FINANCIAL YEAR</u>	17,18	2,567,497	1,551,299

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

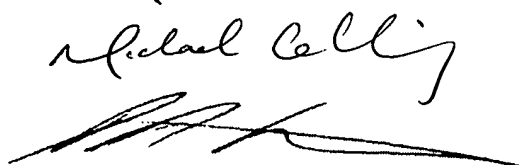
OTTER CONTROLS LIMITED  
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
Year ended 31st December 2014

	<u>Notes</u>	Year ended <u>31.12.14</u> £	Year ended <u>31.12.13</u> £
Profit for the financial year		2,567,497	1,551,299
Actuarial (loss)/gain on defined benefit scheme	23	(1,528,000)	1,129,000
Deferred tax attributable to loss/(gain) on defined benefit scheme		305,600	(242,735)
Currency translation differences on foreign net investments		(226,302)	202,814
Total gains and losses recognised for the financial year		<u>1,118,795</u>	<u>2,640,378</u>

**OTTER CONTROLS LIMITED**  
**GROUP BALANCE SHEET**  
**As at 31st December 2014**

	<u>Notes</u>	<u>31.12.14</u>	<u>31.12.13</u>
		£	£
<b><u>FIXED ASSETS</u></b>			
Tangible assets	9	10,785,677	9,887,475
Intangible assets - patents	10	102,623	122,068
Intangible assets - goodwill	10	4,218,577	4,696,916
Intangible assets - negative goodwill	10	(116,644)	(152,679)
Investments	11	5,378	26,191
		<u>14,995,611</u>	<u>14,579,971</u>
<b><u>CURRENT ASSETS</u></b>			
Stocks	12	8,597,316	7,310,637
Debtors	13	5,951,179	4,236,940
Cash at bank and in hand		3,460,976	5,282,794
		<u>18,009,471</u>	<u>16,830,371</u>
<b><u>CREDITORS:</u></b> amounts falling due within one year	14	<u>(8,592,769)</u>	<u>(8,621,516)</u>
<b><u>NET CURRENT ASSETS</u></b>		<u>9,416,702</u>	<u>8,208,855</u>
<b><u>TOTAL ASSETS LESS CURRENT LIABILITIES</u></b>		<u>24,412,313</u>	<u>22,788,826</u>
<b><u>CREDITORS:</u></b> amounts falling due after more than one year	14	(135,171)	(77,551)
<b><u>PROVISION FOR LIABILITIES</u></b>	15	<u>(178,187)</u>	<u>(232,000)</u>
<b><u>NET ASSETS EXCLUDING PENSION ASSET</u></b>		<u>24,098,955</u>	<u>22,479,275</u>
Pension asset	23	624,000	1,014,220
<b><u>NET ASSETS INCLUDING PENSION ASSET</u></b>		<u><u>24,722,955</u></u>	<u><u>23,493,495</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	20,657,416	19,596,407
<b><u>TOTAL SHAREHOLDERS' FUNDS</u></b>	18	<u>21,540,005</u>	<u>20,478,996</u>
<b><u>MINORITY INTERESTS</u></b>	18	<u>3,182,950</u>	<u>3,014,499</u>
<b><u>CAPITAL EMPLOYED</u></b>		<u><u>24,722,955</u></u>	<u><u>23,493,495</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 July 2015 and were signed on its behalf by:



M.L. COLLING  
Director

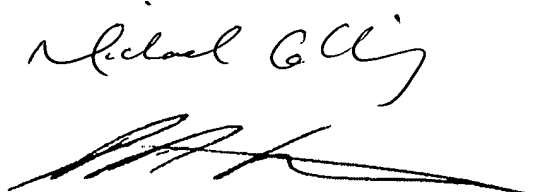
D.A. SMITH  
Director



OTTER CONTROLS LIMITED  
COMPANY BALANCE SHEET  
As at 31st December 2014

	Notes	31.12.14		31.12.13	
		£	£	£	£
<u>FIXED ASSETS</u>					
Tangible assets	9		5,597,325		5,189,677
Intangible assets	10		67,202		88,244
Investments	11		8,838,393		8,859,897
			<u>14,502,920</u>		<u>14,137,818</u>
<u>CURRENT ASSETS</u>					
Stocks	12	1,573,801		1,283,089	
Debtors	13	3,392,938		2,339,287	
Cash at bank and in hand		11,338		1,623,560	
		<u>4,978,077</u>		<u>5,245,936</u>	
<u>CREDITORS:</u> amounts falling due within one year	14	(11,017,248)		(12,075,281)	
<u>NET CURRENT LIABILITIES</u>			<u>(6,039,171)</u>		<u>(6,829,345)</u>
<u>NET ASSETS EXCLUDING PENSION ASSET</u>			8,463,749		7,308,473
Pension asset	23		546,400		863,500
<u>NET ASSETS INCLUDING PENSION ASSET</u>			<u>9,010,149</u>		<u>8,171,973</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		8,596,325		7,758,149
<u>TOTAL SHAREHOLDERS' FUNDS</u>			<u>9,010,149</u>		<u>8,171,973</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 July 2015 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 2014

	<u>Notes</u>	<u>Year ended 31.12.14</u>		<u>Year ended 31.12.13</u>	
		£	£	£	£
<u>NET CASH INFLOW FROM OPERATING ACTIVITIES</u>	19		2,355,814		160,166
<u>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</u>					
Interest received		16,363		4,407	
Dividends paid to minority shareholders		(71,920)		(107,880)	
Interest paid		(363)		(2,463)	
Net cash outflow from returns on investments and servicing of finance			(55,920)		(105,936)
<u>TAXATION</u>			(1,464,098)		(833,590)
<u>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</u>					
Purchase of tangible fixed assets		(2,974,748)		(1,443,526)	
Refund/(purchase) of intangible assets		691		(960)	
Grant funds received		28,327		0	
Sale of tangible fixed assets		238,620		5,345	
Net cash outflow from capital expenditure			(2,707,110)		(1,439,141)
<u>EQUITY DIVIDENDS PAID</u>			(57,786)		(95,733)
<u>NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</u>			(1,929,100)		(2,314,234)
<u>FINANCING</u>					
Repayment of secured loans and overdrafts			(52,369)		0
<u>DECREASE IN CASH</u>			(1,981,469)		(2,314,234)
<u>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</u>					
Decrease in cash			(1,981,469)		(2,314,234)
Cash outflow from decrease in debt financing			52,369		0
Change in net funds resulting from cash flows			(1,929,100)		(2,314,234)
Currency translation differences on net cash balances			159,651		30,462
Net opening funds	20		5,230,425		7,514,197
Net closing funds	20		3,460,976		5,230,425

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.

Hire purchase and operating leases

Assets obtained under hire purchase agreements are capitalised in the balance sheet and depreciated over their 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.

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2014**

**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	
	2014	2013	2014	2013	2014	2013	2014	2013
	£	£	£	£	£	£	£	£
Turnover by destination:								
Sales to third parties	7,932,483	2,246,334	15,873,546	15,933,784	32,968,752	36,307,213	56,774,781	54,487,331
Turnover by origin:								
Sales to third parties	19,549,575	13,893,159	10,838,554	11,746,305	26,386,652	28,847,867	56,774,781	54,487,331

**3 OPERATING PROFIT**

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

	Year ended 31.12.14 £	Year ended 31.12.13 £
Income from rent of land & buildings and plant	(49,969)	(50,982)
Depreciation	1,838,144	1,872,527
Amortisation of patents	3,966	52,854
Amortisation of negative goodwill	(36,035)	(36,035)
Amortisation of goodwill	477,648	79,608
Amortisation of grant income	(9,086)	(5,473)
Loss on disposal of tangible fixed assets	5,410	2,071
Plant and machinery hire	11,922	5,146
Vehicle hire	82,477	70,911
Rent on leasehold land and buildings	325,913	296,873
Research and development costs	1,462,323	1,501,462
Foreign exchange loss through profit & loss	115,082	187,317

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	25,000
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	90,044	107,938
	<u>115,544</u>	<u>132,938</u>

**Staff costs (including Directors)**

	£	£
Wages and salaries	12,927,526	11,839,712
Social security costs	1,397,974	1,153,740
Pension costs	1,184,680	1,041,700
Severance payments	100,582	59,493
	<u>15,610,762</u>	<u>14,094,645</u>

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

	Year ended 31.12.14 Number	Year ended 31.12.13 Number
Administrative staff	183	164
Direct production staff	598	632
Indirect production staff	116	116
	<u>897</u>	<u>912</u>

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2014**

**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 £1,959,449 (2013: loss £37,497) has been reported in the accounts of the Company.

**5 DIRECTORS' REMUNERATION**

	Year ended 31.12.14 £	Year ended 31.12.13 £
Emoluments	737,099	742,034
Contribution to money purchase pension schemes	52,759	80,418
	<u>789,858</u>	<u>822,452</u>
The number of Directors who:	Number	Number
Are members of a defined benefit scheme	2	2
Are members of a money purchase scheme	<u>4</u>	<u>5</u>
Remuneration of highest paid Director:	£	£
Emoluments	180,223	174,205
Contribution to money purchase pension schemes	0	28,100
	<u>180,223</u>	<u>202,305</u>

**6 INTEREST PAYABLE**

	Year ended 31.12.14 £	Year ended 31.12.13 £
Interest payable on bank loans and overdrafts	<u>363</u>	<u>2,463</u>

**7 DIVIDENDS**

	Year ended 31.12.14 £	Year ended 31.12.13 £
Details of dividends paid are as follows:		
Prior year final of 10.0p per share (2013: 14.85p)	41,382	61,453
Interim of 5.0p per share (2013: 10.0p)	20,691	41,382
	<u>62,073</u>	<u>102,835</u>

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

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8 TAXATION**

The tax charge comprises:

Current tax

	Year ended 31.12.14 £	Year ended 31.12.13 £
UK corporation tax	525,676	40,389
Foreign taxation	663,963	1,079,860
Adjustments in respect of prior years	14,731	26,218
Total current tax	1,204,370	1,146,467
Deferred tax on pension scheme deficit	183,820	113,560
Origination and reversal of timing differences	(33,140)	(39,409)
Total deferred tax	150,680	74,151
Total tax on profit on ordinary activities	1,355,050	1,220,618

Factors affecting the tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 21.5% and the differences are explained below:

	Year ended 31.12.14 £	Year ended 31.12.13 £
Profit on ordinary activities before taxation	4,162,905	3,344,574
Tax on Group profit on ordinary activities at standard rate of 21.5% (2013: 23.25%)	895,025	777,613
Effect of:		
Rate adjustments relating to overseas profits	(197,816)	(204,130)
Exchange and other adjustments	(103,418)	(138,595)
Expenses not deductible for tax purposes	21,723	2,955
Income deductible for tax purposes	(7,764)	(23,386)
Short term timing differences	5,785	77,369
Withholding tax	34,765	391,172
Adjustments to prior years	14,731	26,218
Small companies rate adjustment	4,579	0
Transferred to accumulated losses	536,760	237,251
	1,204,370	1,146,467

A deferred tax asset of £1,969,000 (2013: £2,466,000) 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.

**9 TANGIBLE FIXED ASSETS**

Group

<u>Cost</u>	<u>Freehold Land and Buildings</u> £	<u>Leasehold Improvements</u> £	<u>Plant, Machinery and Motor Vehicles</u> £	<u>Total</u> £
At 1st January 2014	6,903,869	1,204,617	42,434,023	50,542,509
Exchange adjustments	(85,171)	55,495	405,917	376,241
Additions	1,606	623,662	2,349,480	2,974,748
Disposals	0	(7,106)	(301,201)	(308,307)
At 31st December 2014	6,820,304	1,876,668	44,888,219	53,585,191

Depreciation

At 1st January 2014	3,311,424	931,794	36,411,816	40,655,034
Exchange adjustments	48,660	36,713	285,240	370,613
Charge for year	186,198	64,102	1,587,844	1,838,144
Disposals	0	(2,230)	(62,047)	(64,277)
At 31st December 2014	3,546,282	1,030,379	38,222,853	42,799,514

NET BOOK VALUES

At 31st December 2014	3,274,022	846,289	6,665,366	10,785,677
At 31st December 2013	3,592,445	272,823	6,022,207	9,887,475

Plant and machinery includes capital under construction of £1,400,515 (2013: £803,366) which is not depreciated.

OTTER CONTROLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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9 TANGIBLE FIXED ASSETS (CONTINUED)		Freehold Land and Buildings	Plant, Machinery and Motor	Total
Company				
Cost		£	£	£
At 1st January 2014		4,304,957	28,210,301	32,515,258
Additions		-	1,192,784	1,192,784
Disposals		0	(46,808)	(46,808)
At 31st December 2014		4,304,957	29,356,277	33,661,234
Depreciation				
At 1st January 2014		2,225,663	25,099,918	27,325,581
Charge for year		121,391	661,815	783,206
Disposals		0	(44,878)	(44,878)
At 31st December 2014		2,347,054	25,716,855	28,063,909
NET BOOK VALUES				
At 31st December 2014		1,957,903	3,639,422	5,597,325
At 31st December 2013		2,079,294	3,110,383	5,189,677
10 INTANGIBLE FIXED ASSETS				
Group	Negative Goodwill	Goodwill	Patents	Total
Cost	£	£	£	£
At 1st January 2014	(563,191)	6,869,897	471,477	6,778,183
Refund of tax	-	(691)	-	(691)
Exchange differences	-	-	5,711	5,711
At 31st December 2014	(563,191)	6,869,206	477,188	6,783,203
Amortisation				
At 1st January 2014	(410,512)	2,172,981	349,409	2,111,878
Exchange differences	-	-	21,190	21,190
Charge for year	(36,035)	477,648	3,966	445,579
At 31st December 2014	(446,547)	2,650,629	374,565	2,578,647
NET BOOK VALUE				
At 31st December 2014	(116,644)	4,218,577	102,623	4,204,556
At 31st December 2013	(152,679)	4,696,916	122,068	4,666,305

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.

Company	Patents
Cost	£
At 1st January 2014 and 31st December 2014	470,149
Amortisation	
At 1st January 2014	381,905
Charge for year	21,042
At 31st December 2014	402,947
NET BOOK VALUE	
At 31st December 2014	67,202
At 31st December 2013	88,244



OTTER CONTROLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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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:

<u>Subsidiary</u>	<u>Type of share</u>	<u>Group %</u>	<u>Company %</u>	<u>Country of incorporation</u>	<u>Principal Activities</u>
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	China	Manufacture of thermostats
Otter Controls (Huizhou) Limited	Ordinary	84	nil	China	Manufacture of thermostats
Ferro Techniek (Holding) B.V.	A Ordinary B Ordinary	89 89	49 49	The Netherlands	Holding company
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
Tarka Limited	Ordinary	84	nil	Hong Kong	Sale of thermostats
Otter Controls India Private Limited	Ordinary	63	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

Subsidiary undertakings

Company

Cost

At 1st January 2014

Refund of tax

At 31st December 2014

£

9,931,719

(691)

9,931,028

Provisions for impairment

At 1st January 2014 & 31st December 2014

1,098,013

Net book value at 31st December 2014

8,833,015

Net book value at 31st December 2013

8,833,706

Trading investments carried at cost

Group & Company

Shares at cost

Impairment

Shares at market value

31.12.14

£

26,191

(20,813)

5,378

31.12.13

£

26,191

0

26,191

12 STOCKS

Group

Raw materials and consumables

Work in progress

Finished goods

31.12.14

£

5,202,027

1,948,897

1,446,392

8,597,316

31.12.13

£

3,876,944

1,656,192

1,777,501

7,310,637

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31st December 2014

12 STOCKS (CONTINUED)	31.12.14	31.12.13
<u>Company</u>	£	£
Raw materials and consumables	827,877	707,931
Work in progress	497,198	410,994
Finished goods	248,726	164,164
	<u>1,573,801</u>	<u>1,283,089</u>

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

13 DEBTORS	31.12.14	31.12.13
<u>Group</u>	£	£
Trade debtors	4,751,584	3,430,038
Corporation tax recoverable	7,770	20,781
Other debtors	838,547	517,570
Prepayments	353,278	268,551
	<u>5,951,179</u>	<u>4,236,940</u>
<u>Company</u>		
Trade debtors	1,013,197	937,837
Due from subsidiary undertakings	2,092,074	1,180,566
Other debtors	73,137	69,242
Prepayments	214,530	151,642
	<u>3,392,938</u>	<u>2,339,287</u>

All debtors are due within one year.

14 CREDITORS	31.12.14	31.12.13
<u>Group</u>	£	£
Amounts falling due within one year:		
Bank loans and overdrafts	0	52,369
Obligations under hire purchase agreements	8,952	0
Trade creditors	4,513,571	3,674,883
Corporation tax	622,117	647,017
Other taxation and social security	697,950	836,561
Accruals	1,972,383	1,902,534
Other creditors	777,796	1,508,152
	<u>8,592,769</u>	<u>8,621,516</u>
<u>Company</u>		
Amounts falling due within one year:		
Trade creditors	941,919	717,087
Due to subsidiary undertakings	8,984,999	9,324,319
Other taxation and social security	98,025	369,349
Accruals	218,137	295,712
Other creditors	774,168	1,368,814
	<u>11,017,248</u>	<u>12,075,281</u>
<u>Group</u>		
Amounts falling due after more than one year:		
Obligations under hire purchase agreements	38,379	0
Deferred capital grant	96,792	77,551
	<u>135,171</u>	<u>77,551</u>
<u>Group</u>		
Age analysis of borrowings falling due:		
On demand or within one year	8,952	52,369
Between one and five years	38,379	0
	<u>47,331</u>	<u>52,369</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.

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>15 PROVISIONS FOR LIABILITIES</b>	Accelerated capital allowances	Guarantee commitments on sales	Total
<u>Group</u>	£	£	£
<u>At 1st January 2014</u>	175,026	56,974	232,000
Debit to profit and loss account	(33,140)	(12,786)	(45,926)
Exchange differences	(7,887)	0	(7,887)
<u>At 31st December 2014</u>	<u>133,999</u>	<u>44,188</u>	<u>178,187</u>
<b>16 SHARE CAPITAL</b>	31.12.14		31.12.13
<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>
<b>17 RESERVES</b>	Profit and loss account	Other reserves	Total
<u>Group</u>	£	£	£
<u>At 1st January 2014</u>	19,596,407	468,767	20,065,174
Retained profit for year	2,567,497	0	2,567,497
Dividends paid	(57,786)	0	(57,786)
Actuarial loss on pension liability net of deferred tax	(1,222,400)	0	(1,222,400)
Net exchange differences	(226,302)	0	(226,302)
<u>At 31st December 2014</u>	<u>20,657,416</u>	<u>468,767</u>	<u>21,126,183</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>	£	£	£
<u>At 1st January 2014</u>	7,758,149	2	7,758,151
Retained profit for year	1,959,449	0	1,959,449
Dividends	(62,073)	0	(62,073)
Actuarial loss on pension liability net of deferred tax	(1,059,200)	0	(1,059,200)
<u>At 31st December 2014</u>	<u>8,596,325</u>	<u>2</u>	<u>8,596,327</u>
<b>18 RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDERS' FUNDS AND MINORITY INTERESTS</b>	31.12.14		31.12.13
	£		£
<u>Group shareholders' funds</u>			
Retained profit for year	2,567,497		1,551,299
Dividends paid on equity shares	(57,786)		(95,733)
Actuarial (loss)/profit on pension liability net of deferred tax	(1,222,400)		886,265
Net exchange differences	(226,302)		202,814
	<u>1,061,009</u>		<u>2,544,645</u>
Opening shareholders' funds	20,478,996		17,934,351
Closing shareholders' funds	<u>21,540,005</u>		<u>20,478,996</u>

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2014**

**18 RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDERS' FUNDS AND MINORITY INTERESTS (CONTINUED)**

	<u>31.12.14</u>
	£
<u>Minority Interests</u>	
At 1st January 2014	3,014,499
Profit on ordinary activities after taxation	240,358
Dividends	(71,920)
Share of translation differences	13
At 31st December 2014	<u>3,182,950</u>

**19 NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>31.12.14</u>	<u>31.12.13</u>
	£	£
Operating profit	3,366,905	2,872,630
Depreciation and amortisation (including amortisation of capital grants)	2,274,637	1,963,481
Increase in purchased goodwill	0	(4,776,524)
FRS 17 pension scheme adjustments	(236,000)	(35,000)
Loss on sale of tangible fixed assets	5,410	2,071
Increase in stocks	(1,286,679)	(1,787,901)
Increase in debtors	(1,727,250)	(768,927)
Increase in creditors	325,665	2,302,043
(Decrease)/increase in provisions	(12,786)	240,910
Currency translation differences	(374,901)	147,383
Reduction in value of investments	20,813	0
	<u>2,355,814</u>	<u>160,166</u>

**20 ANALYSIS OF CHANGES IN NET FUNDS**

	<u>As at</u> <u>1.1.14</u>	<u>Cash flow</u>	<u>Exchange</u> <u>movements</u>	<u>As at</u> <u>31.12.14</u>
	£	£	£	£
Cash in hand and at bank	5,282,794	(1,979,703)	157,885	3,460,976
Bank overdrafts	(52,369)	50,603	1,766	0
	<u>5,230,425</u>	<u>(1,929,100)</u>	<u>159,651</u>	<u>3,460,976</u>

**21 CAPITAL EXPENDITURE COMMITMENTS**

	<u>31.12.14</u>	<u>31.12.13</u>
	£	£
<u>Group</u>		
Capital expenditure contracted for but not provided for in these accounts	<u>610,670</u>	<u>837,687</u>
<u>Company</u>		
Capital expenditure contracted for but not provided for in these accounts	<u>465,952</u>	<u>704,309</u>

**22 FINANCIAL COMMITMENTS**

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

	<u>31.12.14</u>	<u>31.12.13</u>
	£	£
<u>Leasehold land and buildings</u>		
Within 1 year	127,662	151,397
Between 1 and 2 years	33,740	3,767
Between 2 and 5 years	869,129	83,825
Over 5 years	14,542	358,397
	<u>1,045,073</u>	<u>597,386</u>
<u>Other</u>		
Within 1 year	50,945	25,013
Between 1 and 2 years	61,439	39,751
Between 2 and 5 years	215,464	15,632
	<u>327,848</u>	<u>80,396</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 £582,973 (2013: £366,290) of which contributions of £20,761 (2013: £16,000) 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 2014 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 £48,934,000 (2013: £43,504,000).

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 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 2014 were £752,000 (2013: £620,000) for the Group and £711,000 (2013: £577,000) 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 PENSIONS (CONTINUED)

Assumptions:

The following assumptions have been made as at 31st December 2014 for the purpose of disclosures under FRS 17 for the Group and Company:

	31.12.14	31.12.13
	%	%
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	2.9
Service post 5/4/09	2.5	2.5
Expected return on scheme assets	6.0	5.4
Discount rate	3.4	4.4
Inflation assumption		
- RPI	3.1	3.6
- CPI	2.1	2.9
	Years	Years
Life expectancy at retirement age of 63		
Male	24.4	26.8
Female	26.6	28.6
Life expectancy at 63 if aged 43 now		
Male	26.7	30.0
Female	28.6	30.5

Notes:

- 1) The discount rate at 31st December 2014 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 2014 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 2014 were as follows:

<u>Group</u>	Long term rate of return expected			Market Value		
	31.12.14	31.12.13	31.12.12	31.12.14	31.12.13	31.12.12
	%	%	%	£	£	£
Equities	7.6	6.9	6.9	26,743,000	25,386,000	25,874,000
Bonds	4.3	3.5	3.5	19,535,000	16,700,000	10,757,000
Property	6.6	6.9	6.9	249,000	224,000	236,000
Other	0.5	0.5	0.5	3,187,000	2,486,000	3,532,000
Total fair market value				<u>49,714,000</u>	<u>44,796,000</u>	<u>40,399,000</u>

<u>Company</u>	Long term rate of return expected			Market Value		
	31.12.14	31.12.13	31.12.12	31.12.14	31.12.13	31.12.12
	%	%	%	£	£	£
Equities	7.6	6.9	6.9	23,415,000	21,616,000	22,107,000
Bonds	4.3	3.5	3.5	17,104,000	14,220,000	9,191,000
Property	6.6	6.9	6.9	218,000	191,000	202,000
Other	0.5	0.5	0.5	2,790,000	2,117,000	3,018,000
Total fair market value				<u>43,527,000</u>	<u>38,144,000</u>	<u>34,518,000</u>

**OTTER CONTROLS LIMITED**  
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**23 PENSIONS (CONTINUED)**

	Group 31.12.14	Group 31.12.13	Group 31.12.12	Company 31.12.14	Company 31.12.13	Company 31.12.12
Reconciliation to the balance sheet	£	£	£	£	£	£
Total fair market value of assets	49,714,000	44,796,000	40,399,000	43,527,000	38,144,000	34,518,000
Less: present value of scheme liabilities	(48,934,000)	(43,504,000)	(40,741,000)	(42,844,000)	(37,044,000)	(34,809,000)
Recognisable asset/(liability) pre deferred tax	780,000	1,292,000	(342,000)	683,000	1,100,000	(291,000)
Deferred tax (liability)/asset	(156,000)	(277,780)	79,515	(136,600)	(236,500)	67,658
Net pension asset/(liability)	624,000	1,014,220	(262,485)	546,400	863,500	(223,342)

	Group 31.12.14	Group 31.12.13	Company 31.12.14	Company 31.12.13
Changes in the present value of the defined benefit obligation are as follows:	£	£	£	£
Opening defined benefit obligation	43,504,000	40,741,000	37,044,000	34,809,000
Service cost	516,000	585,000	469,000	527,000
Interest cost	1,912,000	1,703,000	1,628,000	1,453,000
Employee contributions	231,000	244,000	208,000	219,000
Actuarial loss	3,596,000	1,417,000	4,250,000	1,182,000
Benefits paid	(825,000)	(1,186,000)	(755,000)	(1,146,000)
Closing defined benefit obligation	48,934,000	43,504,000	42,844,000	37,044,000

	Group 31.12.14	Group 31.12.13	Company 31.12.14	Company 31.12.13
Changes in the present value of the plan assets are as follows:	£	£	£	£
Opening fair value of the scheme assets	44,796,000	40,399,000	38,144,000	34,518,000
Expected return	2,692,000	2,173,000	2,293,000	1,855,000
Actuarial gain	2,068,000	2,546,000	2,926,000	2,121,000
Employer contributions	752,000	620,000	711,000	577,000
Employee contributions	231,000	244,000	208,000	219,000
Benefits paid	(825,000)	(1,186,000)	(755,000)	(1,146,000)
Closing fair value of scheme assets	49,714,000	44,796,000	43,527,000	38,144,000

	Group 31.12.14	Group 31.12.13	Company 31.12.14	Company 31.12.13
The amounts recognised in the profit and loss account are as follows:	£	£	£	£
Defined benefit service cost	516,000	585,000	469,000	527,000
Defined contribution scheme costs	582,973	371,690	214,226	180,705
Life assurance and other costs	85,707	85,010	77,950	77,233
	1,184,680	1,041,700	761,176	784,938

	Group 31.12.14	Group 31.12.13	Company 31.12.14	Company 31.12.13
Analysis of amount credited to other finance income:	£	£	£	£
Expected return on pension scheme assets	2,692,000	2,173,000	2,293,000	1,855,000
Interest on pension scheme liabilities	(1,912,000)	(1,703,000)	(1,628,000)	(1,453,000)
Net return	780,000	470,000	665,000	402,000

**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31st December 2014

23 PENSIONS (CONTINUED)	Group	Group	Company	Company
Amounts recognised in the statement of total	31.12.14	31.12.13	31.12.14	31.12.13
recognised gains and losses:	£	£	£	£
Actual return less expected return on pension scheme assets	2,068,000	2,546,000	2,926,000	2,121,000
Gains & losses arising on the scheme liabilities	455,000	(4,000)	(704,000)	(5,000)
Changes in assumptions underlying the present value of the scheme liabilities	(4,051,000)	(1,413,000)	(3,546,000)	(1,177,000)
	<u>(1,528,000)</u>	<u>1,129,000</u>	<u>(1,324,000)</u>	<u>939,000</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 £2,672,474 (2013: loss of £1,450,074).

History of experience gains and losses:	Group	Group	Group	Group	Group
Group	31.12.14	31.12.13	31.12.12	31.12.11	31.12.10
	£	£	£	£	£
Fair value of plan assets	49,714,000	44,796,000	40,399,000	35,577,000	36,358,000
Less: present value of defined benefit obligation	(48,934,000)	(43,504,000)	(40,741,000)	(36,005,000)	(32,259,000)
Surplus/(deficit) in the plan	<u>780,000</u>	<u>1,292,000</u>	<u>(342,000)</u>	<u>(428,000)</u>	<u>4,099,000</u>
Experience adjustments arising on plan assets	2,068,000	2,546,000	1,566,000	(3,846,000)	2,504,000
% of present value of scheme liabilities	4%	6%	4%	(11)%	8%
Experience adjustments arising on plan liabilities	455,000	1,417,000	2,901,000	1,879,000	(1,819,000)
% of scheme assets	1%	3%	7%	5%	(5)%
	Company	Company	Company	Company	Company
	31.12.14	31.12.13	31.12.12	31.12.11	31.12.10
	£	£	£	£	£
Fair value of plan assets	43,527,000	38,144,000	34,518,000	30,343,000	30,705,000
Less: present value of defined benefit obligation	(42,844,000)	(37,044,000)	(34,809,000)	(30,707,000)	(27,244,000)
Surplus in the plan	<u>683,000</u>	<u>1,100,000</u>	<u>(291,000)</u>	<u>(364,000)</u>	<u>3,461,000</u>
Experience adjustments arising on plan assets	2,926,000	2,121,000	1,356,000	(2,986,000)	2,417,000
% of present value of scheme liabilities	7%	6%	4%	(10)%	9%
Experience adjustments arising on plan liabilities	(704,000)	1,182,000	2,482,000	1,848,000	(1,824,000)
% of scheme assets	-2%	3%	7%	6%	(6)%

**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 £50,780 (2013: £181,057)

and at the year end £498,956 (2013: £418,805) was owed.

During the year the parent company sold goods to Otter Controls (Shenzhen) Ltd. totalling £1,621,584 (2013: £3,610,936)

and at the year end £1,267,132 (2013: £334,764) was owed.

During the year the parent company sold goods and services to Otter Controls (Asia) Ltd. totalling £1,352,157

(2013: £1,481,294) and at the year end £nil (2013: £181,021) was owed.

During the year the parent company sold goods to Otter Controls (Huizhou) Ltd. totalling £768,157 (2013: £428,700)

and at the year end £99,538 (2013: £245,519) was owed.

During the year the parent company purchased goods from St Davids Assemblies Ltd. totalling £1,047,324

(2013: £1,047,324) and at the year end £72,354 (2013: £16,035) was owed.

During the year the parent company purchased goods from Otter Controls (Shenzhen) Ltd. totalling £26,697

(2013: £775,259) and at the year end £11,061 (2013: £nil) was owed.

During the year the parent company purchased goods from Otter Controls (Huizhou) Ltd. totalling £153,059

(2013: £849,560) and at the year end £nil (2013: £49,990) was owed.

During the year the parent company purchased services from Otter Controls (Asia) Ltd. totalling £79,161

(2013: £79,161) and at the year end £nil (2013: £3,477) was owed.

There were no transactions between the parent company and Montgomery Thermostats Limited and at the year end the parent owed £1,743 (2013: £1,743).

There were no sales of goods between the parent company and Tarka Controls Limited and at the year end the parent owed £8,659,764 (2013: £7,653,073). Dividends of £257,636 (2013: £823,890) were paid to the parent company.



**OTTER CONTROLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2014**

**25 BUSINESS COMBINATIONS**

In the prior year, on 5th November 2013, the Group acquired all of the ordinary share capital of L.C.S. Holdings Limited, the holding company of a Group of companies based in Brighton in the United Kingdom, that specialise in the design and manufacture of switchgear used in the railway industry, for an effective cash consideration of £7,545,326 (including acquisition costs).

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

	£
Purchase consideration including related acquisition costs	7,545,326
Fair value of net assets (see below)	(2,768,802)
Goodwill	<u>4,776,524</u>

Fair value of net assets at acquisition date:	Fair value	Acquirees carrying value
	£	£
Property, plant and equipment	29,423	29,423
Goodwill	1	1
Stock	786,182	786,182
Trade and other receivables	639,224	639,224
Cash	2,402,484	2,402,484
Trade and other payables	(1,063,027)	(1,063,027)
Deferred tax and other provisions	(25,485)	(25,485)
	<u>2,768,802</u>	<u>2,768,802</u>

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 2014 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 25.

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](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 2014 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.

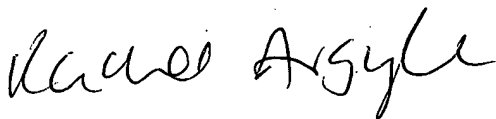
OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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 July 2015