

Company Registration No. 00172209 (England and Wales)

WATTS OF LYDNEY GROUP LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



WATTS OF LYDNEY GROUP LIMITED

COMPANY INFORMATION

Directors	J C Thurston P J Rilett S Charters J P Thurston
Company number	00172209
Registered office	Althorpe House High Street Lydney Gloucestershire GL15 5DD
Auditor	Griffiths Marshall Beaumont House 172 Southgate Street Gloucester GL1 2EZ
Bankers	Royal Bank of Scotland Trinity Quay 1 Avon Street Bristol BS2 0PT

WATTS OF LYDNEY GROUP LIMITED

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WATTS OF LYDNEY GROUP LIMITED

CHAIRMAN'S STATEMENT AND GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are pleased to present their one-hundredth annual report, together with the audited financial statements for the year ended 31 December 2020 as set out on pages 1 to 34.

Business review

	2020 £000	2019 £000
Turnover	33,980	43,041
Gross profit	6,657	6,985
Operating costs	(4,845)	(4,941)
Profit before taxation	1,812	2,044
Taxation	89	(235)
Profit after taxation and for the financial year	1,901	1,809

	£000	Per share
Shareholders' funds from December 2019	20,176	363.6p
Profit for the year	1,901	34.2p
Revaluation of Fixed Assets	(140)	(2.5p)
Dividends	(333)	(6.0p)
Shareholders' funds at December 2020	21,603	389.3p

Further detail is given in the accounting policies and notes to the financial statements and the five year summary at the end of the report.

Covid-19

The onset of the pandemic at the end of the first quarter signaled a change in how we do business. Thank-fully, management and employees adapted quickly to the changed ways of working.

Due to our strong financial position we were able to continue with the planned £2m expenditure for manufacturing equipment which is now beginning to improve 2021 profitability. Despite this investment, our cash position remained a net positive in 2020.

There was no contribution to profitability from the realisation of property although 2021 profitability has been aided by monies from the Job Retention Scheme and an insurance claim for a fire at Watts Urethane.

It is a performance which shows the resilience of the Group and the adaptability of its people.

WATTS OF LYDNEY GROUP LIMITED

CHAIRMAN'S STATEMENT AND GROUP STRATEGIC REPORT (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2020**

Taxation

The tax charge shown in the 2019 accounts was overstated due to relief relating to the sale of Mercia Road being obtained after the accounts had been finalised. This has been adjusted in the 2020 accounts.

Watts Urethane Products makes significant investments in research and development. In 2019 £420k, of which qualifies for tax relief resulting in a credit of £98k in these accounts. Plysolene made a smaller investment giving a £18k credit.

Watts Truck & Van Limited

Support from the Job Retention Scheme, which is only 8% of the payroll cost, provided support at a critical time of uncertainty enabling the company to continue to provide essential services for transport companies. As a result of that support and the resilience of the workforce, the company is now much stronger.

Whilst new truck sales were £8m (38%) lower than 2019, by flexible working and maintained parts sales, overall profitability was improved.

The company also received awards at the Commercial Motor Awards 2020. The teams received "Sales Team of the Year" and "Franchised Dealer of the Year" and were highly commended in the "Aftersales and Maintenance Provider of the Year" category.

Watts Truck & Van were also recognised as "Responsible Business Champion Cymru 2020" by Business in the Community.

Plysolene Limited

At the start of the pandemic, there was a sharp fall off in orders for Plysolene, but during the factory closure, the team were able to develop production of clear sheet for which they secured substantial orders. As a result, the factory worked 24 hours for 6 days a week for a period of time.

A new £1.2m ABS line was installed late in 2020 and began producing saleable product by the end of the year.

During the year, Steve Ratcliffe's planned retirement took place and we thank him for all he has done to develop a successful business and wish him all the very best for the future.

Watts Urethane Products Limited

In the early part of the year, Watts Urethane suffered a fire which destroyed one of the dispensers. An insurance claim was settled which provided compensation for the extra cost of working and for the cost of replacing the equipment. The total value of this claim is reflected in the profit for the company.

Customers and suppliers were also adversely affected by Covid but nevertheless despite a reduction in sales of 17% the underlying profit trend was positive.

WATTS OF LYDNEY GROUP LIMITED

CHAIRMAN'S STATEMENT AND GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Future

The first quarter of the year has started strongly and prospects for trading throughout the year look good with improved profitability in all divisions.

Supply chains continue to be disrupted as the world recovers from the pandemic and to a lesser extent Brexit documentation.

The new ABS line is working well at Plysolene and Watts Urethane has seen an improvement in order intake and sales above 2019. Watts Truck & Van continues to perform strongly and the investment in a new Swansea location is producing results.

Planning permission was obtained for the building of a Lidl store at Hams Road and the sale is due to be completed in the first half of the year. This will enable the letting of the vacant units on the site. The capital sum received will be used to improve our Cardiff Truck & Van dealership.

Pension Scheme

The notes in the account show a substantial surplus in our legacy defined benefit pension scheme. This will enable the scheme to fund the buyout with an insurance company. We anticipate there will be a remaining surplus which the Trustees have requested consideration is given to providing an enhancement to the benefits of members.

Property

Due to the good covenant of our tenants, rental income on our commercial properties were maintained throughout the year. Leases were completed for the occupation of the remainder of our vacant warehouse space.

Principle Risks and Uncertainties

We are exposed to credit risks from our customers and self-insure against bad debts with substantial provisions in the operating companies in accordance with Group Policy.

Dividend

The Board will be recommending an increased dividend.

On behalf of the board


J C Thurston
Director
20 May 2021

WATTS OF LYDNEY GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the company continued to be that of a management and holding company. The subsidiaries and their principal activities are set out in note 14 to the financial statements.

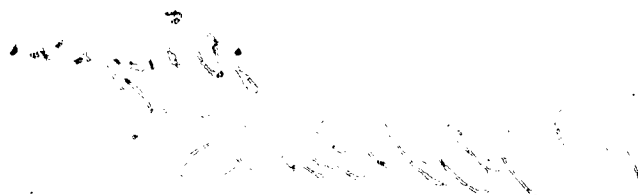
Results and dividends

The profit for the year, after taxation, amounted to £1,901,000 (2019 - £1,809,000).

Ordinary dividends were paid amounting to £333,000 (2019 - £308,000).

Research and development

The group has a continuing commitment to research and development. The expenditure involved is particularly directed towards the development of cast polyurethane products and polymeric extruded sheet

A handwritten signature in dark ink, appearing to read 'Watts of Lydney Group Limited', is written diagonally across the lower right portion of the page.

WATTS OF LYDNEY GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J C Thurston
P J Rilett
S Charters
J P Thurston

No director had a material interest in any contract of significance with the company or its subsidiaries at any time during the year.

Employees

The board recognises the benefits of keeping employees informed of the progress of the business and of involving them in their company's performance. Also, sympathetic consideration is given to job applications from disabled persons, bearing in mind the aptitude and abilities of each person in relation to the requirements of the job. If an employee becomes disabled the Company endeavours to continue their employment if this is practical and in appropriate cases training is given.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the company and group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's and group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Under section 487(2) of the Companies Act 2006, Griffiths Marshall will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on ^{20th} May 2021 and signed on its behalf

J C Thurston
Director

WATTS OF LYDNEY GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 102 "The Financial Reporting Standard applicable in the UK 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, and of the profit or loss of the group for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WATTS OF LYDNEY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WATTS OF LYDNEY GROUP LIMITED

Opinion

We have audited the financial statements of Watts of Lydney Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

WATTS OF LYDNEY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WATTS OF LYDNEY GROUP LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

WATTS OF LYDNEY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WATTS OF LYDNEY GROUP LIMITED

We gained an understanding of the legal and regulatory framework applicable to Watts of Lydney Group Limited and the industry in which it operates and, considered the risk of acts by Management and directors of Watts of Lydney Group Limited which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006 and Employment Law. We made enquiries of the Directors to obtain further understanding of risks of non-compliance.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management regarding known or suspected instances of non-compliance with laws and regulations;
- review of minutes of the Board meetings throughout the year; and
- obtaining an understanding of the control environment in place to prevent and detect irregularities.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Mr Ian Price (Senior Statutory Auditor)
For and on behalf of Griffiths Marshall

Chartered Accountants
Statutory Auditor



20 May 2021

Beaumont House
172 Southgate Street
Gloucester
GL1 2EZ

WATTS OF LYDNEY GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Turnover	3	33,980	43,041
Cost of sales		(27,323)	(36,056)
Gross profit		6,657	6,985
Administrative expenses		(5,468)	(4,923)
Other operating income		651	-
Operating profit	4	1,840	2,062
Interest payable and similar expenses	7	(28)	(18)
Profit before taxation		1,812	2,044
Tax on profit	8	89	(235)
Profit for the financial year		1,901	1,809

Profit for the financial year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes of pages 17 to 34 form part of these financial statements.

WATTS OF LYDNEY GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Profit for the year	1,901	1,809
Other comprehensive income		
Revaluation of tangible fixed assets	(140)	35
Total comprehensive income for the year	<u>1,761</u>	<u>1,844</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

WATTS OF LYDNEY GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	15,726	15,246
Current assets			
Stocks	14	6,230	6,290
Debtors	15	3,998	3,382
Cash at bank and in hand		1,393	2,670
		<u>11,621</u>	<u>12,342</u>
Creditors: amounts falling due within one year	16	<u>(5,711)</u>	<u>(6,812)</u>
Net current assets		5,910	5,530
Total assets less current liabilities		<u>21,636</u>	<u>20,776</u>
Creditors: amounts falling due after more than one year	17	-	(567)
Provisions for liabilities	19	(33)	(33)
Net assets		<u>21,603</u>	<u>20,176</u>
Capital and reserves			
Called up share capital	21	1,387	1,387
Revaluation reserve		3,922	4,063
Capital redemption reserve		633	633
Profit and loss reserves		15,661	14,093
Total equity		<u>21,603</u>	<u>20,176</u>

The financial statements were approved by the board of directors and authorised for issue on 20 May 2021 and are signed on its behalf by:

J C Thurston
Director



WATTS OF LYDNEY GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	10		10,896		11,273
Investments	11		800		800
			<u>11,696</u>		<u>12,073</u>
Current assets					
Debtors	15	9,399		7,721	
Cash at bank and in hand		1,207		2,450	
		<u>10,606</u>		<u>10,171</u>	
Creditors: amounts falling due within one year	16	(1,116)		(967)	
Net current assets			<u>9,490</u>		<u>9,204</u>
Total assets less current liabilities			<u>21,186</u>		<u>21,277</u>
Provisions for liabilities	19		(33)		(33)
Net assets			<u><u>21,153</u></u>		<u><u>21,244</u></u>
Capital and reserves					
Called up share capital	21		1,387		1,387
Revaluation reserve			1,126		1,267
Capital redemption reserve			633		633
Profit and loss reserves			18,007		17,957
Total equity			<u><u>21,153</u></u>		<u><u>21,244</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 20 May 2021 and are signed on its behalf by:

J C Thurston
Director

Company Registration No. 00172209

WATTS OF LYDNEY GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2019		1,387	6,602	633	10,018	18,640
Year ended 31 December 2019:						
Profit for the year		-	-	-	1,809	1,809
Other comprehensive income:						
Revaluation of tangible fixed assets		-	35	-	-	35
Total comprehensive income for the year		-	35	-	1,809	1,844
Dividends	9	-	-	-	(308)	(308)
Transfers		-	(2,574)	-	2,574	-
Balance at 31 December 2019		1,387	4,063	633	14,093	20,176
Year ended 31 December 2020:						
Profit for the year		-	-	-	1,901	1,901
Other comprehensive income:						
Revaluation of tangible fixed assets		-	(140)	-	-	(140)
Total comprehensive income for the year		-	(140)	-	1,901	1,761
Dividends	9	-	-	-	(333)	(333)
Balance at 31 December 2020		1,387	3,922	633	15,661	21,603

WATTS OF LYDNEY GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2019		1,387	3,806	633	14,858	20,684
Year ended 31 December 2019:						
Profit for the year		-	-	-	833	833
Other comprehensive income:						
Revaluation of tangible fixed assets		-	35	-	-	35
Total comprehensive income for the year		-	35	-	833	868
Dividends	9	-	-	-	(308)	(308)
Transfers		-	(2,574)	-	2,574	-
Balance at 31 December 2019		1,387	1,267	633	17,957	21,244
Year ended 31 December 2020:						
Profit for the year		-	-	-	383	383
Other comprehensive income:						
Revaluation of tangible fixed assets		-	(141)	-	-	(141)
Total comprehensive income for the year		-	(141)	-	383	243
Dividends	9	-	-	-	(333)	(333)
Balance at 31 December 2020		1,387	1,126	633	18,007	21,153

WATTS OF LYDNEY GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	24	3,068	(444)
Interest paid		(28)	(18)
Income taxes refunded/(paid)		7	(12)
Net cash inflow/(outflow) from operating activities		<u>3,047</u>	<u>(474)</u>
Investing activities			
Purchase of tangible fixed assets		(2,511)	(2,141)
Proceeds on disposal of tangible fixed assets		620	4,407
Net cash (used in)/generated from investing activities		<u>(1,891)</u>	<u>2,266</u>
Financing activities			
Payment of finance leases obligations		(682)	(391)
Dividends paid to equity shareholders		(333)	(308)
Net cash used in financing activities		<u>(1,015)</u>	<u>(699)</u>
Net increase in cash and cash equivalents		<u>141</u>	<u>1,093</u>
Cash and cash equivalents at beginning of year		780	(313)
Cash and cash equivalents at end of year		<u><u>921</u></u>	<u><u>780</u></u>
Relating to:			
Cash at bank and in hand		1,393	2,670
Bank overdrafts included in creditors payable within one year		<u>(472)</u>	<u>(1,890)</u>

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain freehold and leasehold properties and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS102, the group has chosen not to retrospectively apply the standard business combinations that occurred before the date of transition to FRS102.

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, Value Added Tax and other sales taxes. The following criteria must also be met before revenue is recognised:

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided.

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred,

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold land and buildings	Over the unexpired portion of the lease
Plant and equipment	3 to 10 years
Fixtures and fittings	3 to 10 years
Motor vehicles	3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated statement of profit and loss.

Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence.

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.6 Stocks

Raw materials, consumables, goods held for resale and consignment stock are valued at the lower of cost and net realisable value. In respect of consignment stock, the corresponding liability to the legal owner is included within trade creditors.

Work in progress and finished goods are valued at the lower of cost, including a proportion of indirect overhead expenses applicable to the stage of manufacture reached, and net realisable value.

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1.8 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.10 Pensions

The Group operates a Stakeholder pension scheme and the contributions are charged as an expense in the profit or loss account as they fall due.

It also has a Defined Benefit pension scheme. Future accrual ceased on 31 May 2006. The assets of the scheme are held separately from the group in independently administered funds. The Defined Benefit pension scheme surplus is not recognised in the accounts.

1.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.12 Operating leases: Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.14 Foreign exchange

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account.

1.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.17 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.18 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

1.19 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation and uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Depreciation

The Group exercises judgement to determine useful lives and residual values for tangible fixed assets. The assets are depreciated down to their residual values over their estimated useful lives.

Provisions

Provisions have been made against the trade debtors and inventory. The estimates are an estimate of actual expected outcome and the timing of future cash flows is dependent on future events.

Stock valuation

The value of work in progress and manufactured finished goods includes an element of direct production costs and attributable overheads.

Properties

The value of the properties owned by the group has been considered in relation to current market conditions, actual transactions and offers made for sale and rental.

Defined benefit pension scheme

The fair value of the scheme assets and the present value of the scheme liabilities are inherently uncertain. Details are included in note 25.

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2020 £000	2019 £000
Turnover analysed by class of business		
Motor Trade	25,856	34,188
Other	8,124	8,853
	<u>33,980</u>	<u>43,041</u>

	2020 £000	2019 £000
Other significant income		
Job Retention Scheme	356	-
Insurance Claims	295	-
	<u>651</u>	<u>-</u>

	2020 £000	2019 £000
Turnover analysed by geographical market		
United Kingdom	31,844	41,272
Europe	1,618	1,032
Rest of World	518	737
	<u>33,980</u>	<u>43,041</u>

4 Operating profit

	2020 £000	2019 £000
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	1,275	1,167
Profit on disposal of tangible fixed assets	(5)	(236)
Fees payable to Group's auditor	32	30
Operating lease charges	295	295
	<u></u>	<u></u>

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
163	184	5	6
<u>163</u>	<u>184</u>	<u>5</u>	<u>6</u>

Their aggregate remuneration comprised:

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Wages and salaries	5,274	5,395	224	190
Social security costs	437	533	23	21
Pension costs	185	186	6	5
	<u>5,896</u>	<u>6,114</u>	<u>253</u>	<u>216</u>

6 Directors' remuneration

	2020 £000	2019 £000
Remuneration for qualifying services	<u>188</u>	<u>213</u>

The highest paid director received remuneration of £62,800 (2019 - £71,794).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2019 - £nil).

As per FRS 102, key management personnel are considered to be the Board of Directors only.

7 Interest payable and similar expenses

	2020 £000	2019 £000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	26	12
Other finance costs:		
Interest on finance leases and hire purchase contracts	2	6
Total finance costs	<u>28</u>	<u>18</u>

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Taxation

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	252	257
Adjustments in respect of prior periods	(307)	(55)
Tax relating to prior year adjustments recognised in profit or loss	(34)	-
	<u>(89)</u>	<u>202</u>
Deferred tax		
Origination and reversal of timing differences	-	33
	<u>-</u>	<u>33</u>
Total tax (credit)/charge	<u>(89)</u>	<u>235</u>

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £000	2019 £000
Profit before taxation	1,812	2,044
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	344	388
Tax effect of expenses that are not deductible in determining taxable profit	(2)	5
Tax effect of income not taxable in determining taxable profit	(41)	-
Adjustments in respect of prior years	(153)	(191)
Group relief	(63)	-
Permanent capital allowances in excess of depreciation	(47)	-
Adjustments in respect of financial assets	5	-
Under/(over) provided in prior years	(132)	-
Deferred tax adjustments in respect of prior years	-	66
Deferred tax adjustments recognised	-	(33)
	<u>(89)</u>	<u>235</u>
Taxation (credit)/charge	<u>(89)</u>	<u>235</u>

9 Dividends

	2020 £000	2019 £000
Recognised as distributions to equity holders:		
Final paid	333	308
	<u>333</u>	<u>308</u>

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Tangible fixed assets

Group	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2020	8,624	2,846	8,679	402	3,267	23,818
Additions	43	9	1,925	46	488	2,511
Disposals	(285)	-	(11)	(2)	(866)	(1,164)
Revaluation	(140)	-	-	-	-	(140)
At 31 December 2020	8,242	2,855	10,593	446	2,889	25,025
Depreciation and impairment						
At 1 January 2020	81	63	6,792	177	1,461	8,574
Depreciation charged in the year	-	40	491	72	672	1,275
Eliminated in respect of disposals	-	-	(6)	(2)	(542)	(550)
At 31 December 2020	81	103	7,277	247	1,591	9,299
Carrying amount						
At 31 December 2020	8,161	2,752	3,316	199	1,298	15,726
At 31 December 2019	8,542	2,783	1,895	224	1,802	15,246

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Tangible fixed assets

(Continued)

Company	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2020	8,464	2,817	1,015	13	12,309
Additions	43	-	55	-	98
Disposals	(285)	-	-	-	(285)
Revaluation	(140)	-	-	-	(140)
At 31 December 2020	8,082	2,817	1,070	13	11,982
Depreciation and impairment					
At 1 January 2020	-	42	978	12	1,033
Depreciation charged in the year	-	36	17	1	53
At 31 December 2020	-	78	995	13	1,086
Carrying amount					
At 31 December 2020	8,082	2,739	75	-	10,896
At 31 December 2019	8,463	2,775	36	-	11,273

Freehold and leasehold properties were revalued as at 31 December 2018 on an existing use and market value basis. Independent Chartered Surveyors, Kurt Wyman, were engaged by the directors to assist in this process and the revalued amounts are reflected in the balance sheet. The resulting revaluation surplus was credited to the revaluation reserve.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2020 £	2019 £
Cost	7,644	7,894
Accumulated depreciation	(2,383)	(2,230)
Net book value	5,261	5,664

11 Fixed asset investments

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Unlisted investments	-	-	800	800

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Fixed asset investments (Continued)

Movements in fixed asset investments Company

Cost or valuation

At 1 January 2020 and 31 December 2020

Investments
£000

800

Carrying amount

At 31 December 2020

800

At 31 December 2019

800

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Plysolene Limited	Great Britain	Manufacture of extruded polymeric sheet products	Ordinary	100.00	-
Watts Truck & Van Limited	Great Britain	DAF Trucks, commercial vehicle parts and repairs	Ordinary	100.00	-
Watts Urethane Products Limited	Great Britain	Manufacture of urethane products	Ordinary	100.00	-
WT&V Limited	Great Britain	Holding of investments in Watts Truck & Van Limited	Ordinary	100.00	-

A full list of the Group's subsidiaries, including dormant companies, is available from the registered office.

13 Parent Company Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its and loss account in these financial statements. The profit after tax of the Parent Company for the year was £382,680 (2019 - £833,009).

14 Stocks

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Raw materials and consumables	1,834	1,956	-	-
Work in progress	18	51	-	-
Finished goods and goods for resale	4,378	4,283	-	-
	<u>6,230</u>	<u>6,290</u>	<u>-</u>	<u>-</u>

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Debtors

	Group	2019	Company	2019
	2020		2020	
Amounts falling due within one year:	£000	£000	£000	£000
Trade debtors	3,318	2,384	507	105
Corporation tax recoverable	98	21	-	-
Amounts owed by group undertakings	-	-	8,872	7,372
Other debtors	96	219	-	68
Prepayments and accrued income	486	758	20	176
	<u>3,998</u>	<u>3,382</u>	<u>9,399</u>	<u>7,721</u>

16 Creditors: amounts falling due within one year

	Notes	Group	2019	Company	2019
		2020		2020	
		£000	£000	£000	£000
Bank loans and overdrafts	18	472	1,890	-	-
Obligations under finance leases		280	395	-	-
Trade creditors		2,517	2,249	91	72
Gross amounts owed to contract customers		25	-	-	-
Corporation tax payable		252	257	94	171
Other taxation and social security		468	786	59	7
Other creditors		40	52	24	24
Accruals and deferred income		1,657	1,183	848	693
		<u>5,711</u>	<u>6,812</u>	<u>1,116</u>	<u>967</u>

17 Creditors: amounts falling due after more than one year

	Notes	Group	2019	Company	2019
		2020		2020	
		£000	£000	£000	£000
Obligations under finance leases		-	567	-	-
		<u>-</u>	<u>567</u>	<u>-</u>	<u>-</u>

18 Loans and overdrafts

	Group	2019	Company	2019
	2020		2020	
	£000	£000	£000	£000
Bank overdrafts	472	1,890	-	-
	<u>472</u>	<u>1,890</u>	<u>-</u>	<u>-</u>
Payable within one year	472	1,890	-	-
	<u>472</u>	<u>1,890</u>	<u>-</u>	<u>-</u>

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

18 Loans and overdrafts

(Continued)

The bank overdraft was secured by fixed and floating charges over the assets of the Group which was released on 8 January 2020.

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2020 £000	Liabilities 2019 £000	Assets 2020 £000	Assets 2019 £000
Group				
Roll over relief claim	-	33	-	-
	=====	=====	=====	=====

	Liabilities 2020 £000	Liabilities 2019 £000	Assets 2020 £000	Assets 2019 £000
Company				
Roll over relief claim	-	33	-	-
	=====	=====	=====	=====

20 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Within one year	490	484	-	-
Between two and five years	760	760	-	-
In over five years	337	527	-	-
	=====	=====	=====	=====
	1,587	1,771	-	-
	=====	=====	=====	=====

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Share capital

	Group and company	
	2020	2019
	£000	£000
Ordinary share capital		
Issued and fully paid		
5,549,203 Ordinary shares of 25p each	1,387	1,387

Each ordinary share has the same right to receive dividends and the repayment of capital, and represents one vote at the shareholder meetings of the Company.

The authorised share capital of the Company at the beginning and end of the year comprises 12,000,000 ordinary shares of 25p each.

22 Contingent liabilities

The Company's bank accounts with the Royal Bank of Scotland Plc are part of joint accounts with subsidiary undertakings. As a result of this arrangement the Company is jointly and severally liable for their overdrafts and term loans.

23 Pension commitments

The Group operates a Stakeholder pension scheme and the contributions are charged as an expense in the profit or loss as they fall due.

It also has a Defined Benefit pension scheme. Future accrual ceased on 31 May 2006. The assets of the scheme are held separately from the group in independently administered funds. The Defined Benefit pension scheme surplus is not recognised in the accounts.

Reconciliation of present value of plan liabilities:

	2020	2019
	£000	£000
Reconciliation of present value plan liabilities		
Defined benefit obligation at start of period	13,292	12,358
Interest cost on defined benefit obligation	244	328
Actuarial gains/losses	1,067	1,482
Benefits paid	(958)	(876)
Reduction in liabilities due to settlements	-	-
At the end of the year	13,645	13,292

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Pension commitments (continued)

	2020 £000	2019 £000
Fair value of scheme assets at start of period	18,205	16,879
Opening pension surplus restriction	(4,913)	(4,521)
Return less interest income on scheme assets	1,585	1,835
Interest income on scheme assets	337	452
Benefits paid	(958)	(876)
Employer Contributions	-	-
Administration costs	(88)	(85)
Impact of change in pension surplus restriction	(523)	(392)
Fair value of scheme assets at end of period	13,645	13,292

The fair value of the scheme's assets are not intended to be realised in the short term and may be subject to significant change before they are realised. The present value of the schemes liabilities, which are derived from cash flow projections over long periods are thus inherently uncertain.

Composition of plan assets:

	2020 £000	2019 £000
Equities, Diversified Growth	4,410	5,456
Gilts	-	-
Corporate Bonds	-	-
Buyout Aware funds	13,995	12,494
Cash	676	255
Total plan assets	19,081	18,205

	2020 £000	2019 £000
Fair value of plan assets less surplus	19,081	18,205
Present value of plan liabilities	13,645	13,292
Surplus restriction	(5,436)	(4,913)
Net pension scheme liability	-	-
Actual return on scheme assets	1,922	2,287

The Group expects to contribute £nil to its Defined benefit pension scheme in 2021.

The latest full actuarial valuation at 29 February 2016 has been updated by a qualified independent actuary on an FRS 102 basis as at 31 December 2020.

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Pension commitments (continued)

(Continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2020	2019
	%	%
Discount rate	1.20	1.90
Rate of price inflation – RPI	3.35	3.35
Rate of price inflation – CPI	2.55	2.55
Rate of increase for pensions – pre 1 March 2002	4.00	4.00
Rate of increase for pensions – post 1 March 2002	2.55	2.55
Mortality rates:		
- for a male aged 65 now	21.70	21.60
- at 65 for a male aged 45 now	24.10	23.90
- for a female aged 65 now	22.70	22.70
- at 65 for a female aged 45 now	25.20	25.10

The mortality assumption adopted is S1PA with future improvements in line with CMI_2015 [1%] projections.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000
Defined benefit obligation	(13,645)	(13,292)	(12,358)	(13,254)	(13,723)
Scheme assets	19,081	18,205	16,879	17,686	16,859
Surplus	5,436	4,913	4,521	4,432	3,136
	2018	2018	2018	2017	2016
	£000	£000	£000	£000	£000
Experience adjustments on scheme liabilities	1,067	1,482	(608)	66	1,645
Experience adjustments on scheme assets	-	-	-	-	-
	1,067	1,482	(608)	66	1,645

WATTS OF LYDNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Cash generated from/(absorbed by) group operations

	2020 £000	2019 £000
Profit for the year after tax	1,901	1,809
Adjustments for:		
Taxation (credited)/charged	(89)	235
Finance costs	28	18
Gain on disposal of tangible fixed assets	(5)	(236)
Depreciation and impairment of tangible fixed assets	1,275	1,167
Movements in working capital:		
Decrease/(increase) in stocks	60	(958)
(Increase)/decrease in debtors	(539)	684
Increase/(decrease) in creditors	437	(3,163)
Cash generated from/(absorbed by) operations	3,068	(444)

25 Analysis of changes in net funds/(debt) - group

	1 January 2020 £000	Cash flows £000	31 December 2020 £000
Cash at bank and in hand	2,670	(1,277)	1,393
Bank overdrafts	(1,890)	1,418	(472)
	780	141	921
Obligations under finance leases	(962)	682	(280)
	(182)	823	641

26 Analysis of changes in net funds - company

	1 January 2020 £000	Cash flows £000	31 December 2020 £000
Cash at bank and in hand	2,450	(1,243)	1,207

27 Control

There is no ultimate controlling party.

28 Related party transactions

Under the exemption permitted by Financial Reporting Standard 102 the Company is not required to disclose transactions with wholly owned subsidiaries of the Group.

There were no other related party transactions.