

OTTER CONTROLS LIMITED
Annual Report and Accounts
Year ended 31st December 2020

Registered in England and Wales No. 406954



OTTER CONTROLS LIMITED

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OTTER CONTROLS LIMITED

STRATEGIC REPORT

BUSINESS MODEL

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

STRATEGY AND OBJECTIVES

The long term vision of the management team is of building a £100 million turnover business by the end of 2030. This will be achieved by both sustainable organic growth in existing markets and via expansion into new markets through the introduction of new product ranges and by the acquisition of existing businesses in those new markets.

PRINCIPAL RISKS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks: market, price, foreign exchange, credit, liquidity and capital risks. 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, this is mitigated by giving indicative orders for up to the next 6 months usage.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar, Euro, Chinese renminbi and Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, assets and liabilities and net investments in foreign operations.

Foreign exchange risk is reduced by invoicing intergroup trading in the same currency to self cover exposures and reduce exchange costs. The US dollar is used for intra-group transactions in Asia, as this is pegged against the Chinese renminbi and Hong Kong dollar. The Euro is used for intra-group transactions in Europe.

Credit risk management for Otter Controls Limited, Otter Controls (Huizhou) Limited and Otter Controls (Asia) Limited is carried out by the local finance teams using trade credit insurance to cover trade debtors after an agreed excess. 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 companies are subject to local government rules and guidance regarding the Covid pandemic in the countries that the Group operates, and the Group has implemented various measures in each premises to comply. These include health monitoring, segregation, enhanced cleaning measures and personal protective equipment.

As a consequence the directors believe that the Group is well-placed to manage its business risks despite the Covid pandemic and ongoing uncertainty in the global economic environment.

KEY PERFORMANCE INDICATORS

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

	2020	2019
Group sales decrease compared to previous year	-1.5%	-3.6%
Sales per employee (£000)	73	72
Group shareholders' funds (£ millions)	32.4	35.7

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET

Since the balance sheet date we have reached stage 4 of the UK government's roadmap and restrictions have been relaxed in the UK, however UK staff are still catching Covid and a larger number are being required by the NHS to isolate and we believe that it will be some time before trading returns to normal across all our UK businesses.

Although the vaccination programmes in Europe are progressing well, this is not the case outside Europe and our Indian factory had a very difficult time in March and April 2021 due to the high level of infections in Pune.

Due to the Covid pandemic, total UK sales are currently running at circa 10% down compared to pre pandemic levels and we have also seen a significant increase in commodity prices for metals and oil from mid 2020 which has reduced our margins.

OTTER CONTROLS LIMITED
STRATEGIC REPORT (CONTINUED)

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006
In discharging their duties in relation to s172(1) of the Companies Act 2006, the Directors have paid regard to:

- a. the likely consequences of any long term decision, such as strategic planning and business development;
- b. interests of the Group's employees including health and safety, involvement, diversity and gender pay gaps;
- c. the need to foster relationships with suppliers, customers and others including social values and payment practices;
- d. to act fairly between members of the company;
- e. impact of operations on community and the environment, including carbon management, climate initiatives; and
- f. reputation for high standards of conduct including adoption of corporate governance standards, training and reporting.

Strategy

Each trading subsidiary prepares a forecast for the coming trading year including strategic goals for the year and a monthly financial budget which is presented to and approved by the ultimate holding company board of Directors 'the board'. At each monthly board meeting the Directors review the progress of each trading subsidiary against those budgeted financial targets and the progress towards the achievement of the strategic goals.

People

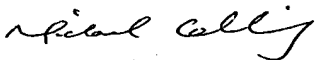
The Group's employees are key to the success of the Otter group and help us maintain high standards of business conduct and customer service, and are fundamental in delivering the group's strategic goals over the coming years. Management have implemented many health and safety measures during the pandemic to improve employee safety including the wearing of masks, social distancing measures, increased cleaning and disinfecting of surfaces on a regular basis.

Governance

The board lead by the Chairman believe that strong governance is essential to the success of the group and the Chairman prior to the pandemic regularly visited all group sites around the world to evaluate the performance of local management. For 2020 because of Covid restrictions on travel this has had to be changed to regular communication via teams and skype and this has continued into 2021 with only the UK and European sites being visited. Because of his frequent visits to our Chinese factory only the Operations Director has been issued with the local government permit to visit our Huizhou factory in 2021 which involved a compulsory two week isolation in a local hotel along with multiple negative PCR tests Mr B.Smith operates as a non-executive Director and provides advice on operational matters and management.

The audited financial statements of the Company and the Group for the year ended 31st December 2020 are set out on pages 6 to 27.

The strategic report of Otter Controls Limited was approved by the Board of Directors and signed on its behalf on 20 December 2021 by:



M.L.Colling

Director

OTTER CONTROLS LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the audited financial statements for the year ended 31st December 2020.

DIRECTORS

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

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

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

DIVIDENDS

	<u>31.12.20</u>	<u>31.12.19</u>
Details of dividends paid are as follows:	£	£
Interims of nil p per share (2019: 10p & 10p)	<u>-</u>	<u>82,764</u>

The Directors recommend a final dividend of 10p per share (2019: nil p).

GOING CONCERN

The Directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of the pandemic and ongoing Covid regulations in the countries that the Group operates and more specifically on the Group's businesses. Based on internal forecasts and projections that take into account reasonably possible changes in the Group's trading performance caused by Covid and other events, the directors believe that the Group is well-placed to manage its business risks despite the ongoing uncertainty in the global economic environment.

The company has agreed to provide financial support to three of its subsidiaries, the provision of which is not a legally binding commitment, should support be required within twelve months of the signing of their financial statements.

BUSINESS REVIEW

Other than an extended Chinese New Year holiday our Chinese factory was relatively unaffected by the pandemic with sales at a similar level to 2019 and with a higher profit due to further automation of production lines.

Our Ferro businesses had a short lockdown period but caught up on the lost production in the second half of 2020 and are undertaking a significant new project in 2021 which should increase sales significantly from 2022 onwards. The railways were designated as an essential service industry by the UK government and after a blip in March 2020 our switchgear business has seen increased sales and profits in 2020.

The closure of automotive plants during the pandemic caused a considerable reduction in orders in April & May 2020 but automotive switch orders recovered to normal levels and the Buxton site sales for 2020 were just 5% down on 2019. Currently automotive switch sales in 2021 are at normal levels although raw material prices have increased significantly especially certain commodities and container and airfreight costs are currently circa ten times normal levels.

Dunford & Pearson have seen reduced sales order levels during the lockdown and as a result the decision was taken to reduce employee numbers via redundancies to reduce costs until sales orders increase.

During the lockdown period St Davids and Carville saw a significant reduction in orders for several months and part time working and furlough was used by both businesses in this difficult trading period.

Although stock markets recovered in late 2020, central banks have kept interest rates low and this means that the pension liabilities increased, causing the scheme to move from a surplus to a deficit as at the 31 December 2020.

Many of the countries in which the group operates supported businesses with government grants during the pandemic in order that businesses could retain their skilled and experienced workers until the economy recovered. During the calendar year 2020 the group received £584,280 (2019: nil) in government job retention grants.

Turnover for the year reduced to £68,671,481 (2019: £69,718,353) and the Group produced a profit before taxation of £3,098,608 (2019: £484,577).

OTTER CONTROLS LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES

The average monthly number of staff employed during the year was 939 (2019: 969) 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 considered, bearing in mind the aptitude of the applicant. 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.

RESEARCH AND DEVELOPMENT

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

The expenditure for the year ended 31 December 2020 was £1,057,028 (2019: £1,748,721).

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted

Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland."

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

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

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

DISCLOSURE OF INFORMATION TO 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 s418 of the Companies Act 2006.

A resolution to re-appoint BDO LLP as the company's auditor will be proposed at the next Directors' meeting.

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

As permitted by Section 414c of the Companies Act 2006, details of future outlook, financial risk management objectives and policies are presented in the Strategic Report.

Approved by the Board of Directors and signed on its behalf by:



G.T. Brown
Secretary
Otter Controls Limited
Tongue Lane Industrial Estate
Buxton
Derbyshire
SK17 7LF

20 December 2021

OTTER CONTROLS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OTTER CONTROLS LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- and the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Otter Controls Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated cashflow statement and the notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent 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 or the parent company's ability to continue as a going concern for a period of at least twelve months from the date 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

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

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

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

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

- adequate accounting records have not been kept 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.

OTTER CONTROLS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OTTER CONTROLS LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 group's and 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 group or the parent 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 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:

Based on our understanding and accumulated knowledge of the group and parent company and the sector in which it operates we considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the group accounting policies, United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the UK Companies Act 2006; those that relate to the payment of employees; and industry related such as compliance with health and safety legislation. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates as well as inappropriate revenue cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the recoverability of receivables;
- Identifying and testing journal entries, in particular review of journal entries posted over the weekend, journals posted with rounded amounts, journals posted to the least used accounts, manual journals to revenue, manual journals to cash, journals posted by specific users and journals including specific keywords;
- Testing a sample of revenue recognised either side of the period end to ensure revenue has been recognised in the correct period;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Review of minutes of Board meetings throughout the period.

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Gary Harding

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

Date: 20 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

OTTER CONTROLS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31st December 2020

	<u>Notes</u>	<u>Year ended</u> <u>31.12.20</u> £	<u>Year ended</u> <u>31.12.19</u> £
<u>TURNOVER</u>	2	68,671,481	69,718,353
Less: Cost of sales		(52,464,360)	(54,212,808)
<u>GROSS PROFIT</u>		16,207,121	15,505,545
Less: Distribution costs		(1,401,868)	(2,032,231)
Administrative expenses		(12,682,958)	(13,459,986)
Other operating income		883,154	420,092
Loss on disposal of operations		-	-
<u>OPERATING PROFIT</u>		3,005,449	433,420
Finance income/(costs) (net)	6	93,159	51,157
<u>PROFIT BEFORE TAXATION</u>	3	3,098,608	484,577
Tax on profit	8	(511,440)	(687,919)
<u>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</u>		2,587,168	(203,342)
<u>Profit for the financial year attributable to:</u>			
Non controlling interests	18	678,681	321,615
Equity shareholders of the Company		1,908,487	(524,957)
		2,587,168	(203,342)

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

OTTER CONTROLS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31st December 2020

	<u>Notes</u>	Year ended <u>31.12.20</u> £	Year ended <u>31.12.19</u> £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		2,587,168	(203,342)
Currency translation difference on foreign currency net investments		369,653	(999,166)
Remeasurement of net defined benefit asset	23	(7,643,000)	1,815,000
		<u>(4,686,179)</u>	<u>612,492</u>
Tax relating to components of other comprehensive income		1,452,170	(344,850)
<u>TOTAL COMPREHENSIVE INCOME</u>		<u>(3,234,009)</u>	<u>267,642</u>

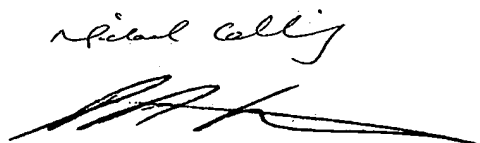
Total comprehensive income for the year attributable to:

Non controlling interests	712,424	385,121
Equity shareholders of the Company	(3,946,433)	(117,479)
	<u>(3,234,009)</u>	<u>267,642</u>

OTTER CONTROLS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2020

	Notes	31.12.20		31.12.19	
		£	£	£	£
<u>FIXED ASSETS</u>					
Goodwill	10		1,563,549		2,096,409
Negative goodwill	10		(33,908)		(33,908)
Goodwill - net balance			1,529,641		2,062,501
Intellectual property	10		4,582		14,763
Intangible assets			1,534,223		2,077,264
Tangible assets	9		12,684,858		12,786,771
			14,219,081		14,864,035
<u>CURRENT ASSETS</u>					
Stocks	12	10,880,475		10,767,626	
Debtors	13	11,004,965		10,752,911	
Cash at bank and in hand	20	13,689,321		9,540,018	
			35,574,761		31,060,555
<u>CREDITORS:</u> amounts falling due within one year	14		(12,494,288)		(12,302,587)
<u>NET CURRENT ASSETS</u>			23,080,473		18,757,968
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			37,299,554		33,622,003
<u>CREDITORS:</u> amounts falling due after more than one year	14		(53,597)		(57,716)
<u>PROVISION FOR LIABILITIES</u>	15		(80,201)		(617,265)
NET ASSETS EXCLUDING PENSION (DEFICIT)/ASSET			37,165,756		32,947,022
Pension (deficit)/asset	23		(4,725,000)		2,787,000
NET ASSETS INCLUDING PENSION ASSET			32,440,756		35,734,022
<u>CAPITAL AND RESERVES</u>					
Called up share capital	16		413,822		413,822
Other reserves	17		2		2
Profit and loss account	17		25,946,979		29,859,669
TOTAL SHAREHOLDERS' FUNDS			26,360,803		30,273,493
NON CONTROLLING INTERESTS	18		6,079,953		5,460,529
CAPITAL EMPLOYED			32,440,756		35,734,022

These financial statements of Otter Controls Limited (Company registration number 406954) were approved by the Board of Directors and authorised for issue on 20 December 2021 and were signed on its behalf by:



M.L. COLLING
Director

D.A. SMITH
Director

OTTER CONTROLS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31st December 2020

	Notes	31.12.20	31.12.19
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	9	4,251,155	5,132,416
Intangible assets	10	4,582	8,963
Investments	11	7,347,725	7,347,725
		<u>11,603,462</u>	<u>12,489,104</u>
<u>CURRENT ASSETS</u>			
Stocks	12	2,086,653	2,391,921
Debtors	13	4,292,474	3,549,557
Cash at bank and in hand		2,126,869	743,998
		<u>8,505,996</u>	<u>6,685,476</u>
<u>CREDITORS:</u> amounts falling due within one year	14	<u>(12,798,763)</u>	<u>(11,931,801)</u>
<u>NET CURRENT LIABILITIES</u>		<u>(4,292,767)</u>	<u>(5,246,325)</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>7,310,695</u>	<u>7,242,779</u>
<u>PROVISIONS</u>	15	-	(455,050)
NET ASSETS EXCLUDING PENSION ASSET		<u>7,310,695</u>	<u>6,787,729</u>
Pension (deficit)/asset	23	(4,111,000)	2,395,000
NET ASSETS INCLUDING PENSION ASSET		<u><u>3,199,695</u></u>	<u><u>9,182,729</u></u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	16	413,822	413,822
Capital redemption reserve	17	2	2
Profit and loss account	17	2,785,871	8,768,905
TOTAL SHAREHOLDERS' FUNDS		<u><u>3,199,695</u></u>	<u><u>9,182,729</u></u>

Shareholder' funds

The loss for the financial year dealt with in the financial statements of the parent Company was £571,424 (2019: loss £917,057)

These financial statements of Otter Controls Limited (Company registration number 406954) were approved by the Board of Directors and authorised for issue on 20 December 2021 and were signed on its behalf by:

M.L. Colling

M.L. COLLING
Director

D.A. Smith

D.A. SMITH
Director

OTTER CONTROLS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31st December 2020

	Called up share capital £	Other Reserves £	Profit and loss account £	Total £	Non controlling interest £	Total £
Consolidated Statement of Changes in Equity						
At 1st January 2019	413,822	2	30,055,697	30,469,521	5,391,560	35,861,081
Loss for financial year	-	-	(524,957)	(524,957)	321,615	(203,342)
Remeasurement of net defined benefit liability	-	-	1,815,000	1,815,000	-	1,815,000
Tax on items of other comprehensive income	-	-	(344,850)	(344,850)	-	(344,850)
Currency translation differences on foreign net investments	-	-	(1,062,672)	(1,062,672)	63,506	(999,166)
Total comprehensive income in year	-	2	(117,479)	(117,479)	385,121	267,642
Dividends paid on equity shares	-	-	(78,549)	(78,549)	(316,152)	(394,701)
At 31st December 2019	413,822	2	29,859,669	30,273,493	5,460,529	35,734,022
Profit for financial year	-	-	1,908,487	1,908,487	678,681	2,587,168
Remeasurement of net defined benefit liability	-	-	(7,643,000)	(7,643,000)	-	(7,643,000)
Tax on items of other comprehensive income	-	-	1,452,170	1,452,170	-	1,452,170
Currency translation differences and sale of investment	-	-	369,653	369,653	33,743	403,396
Total comprehensive (expense)/income in year	-	-	(3,912,690)	(3,912,690)	712,424	(3,200,266)
Dividends paid on equity shares	-	-	-	-	(93,000)	(93,000)
At 31st December 2020	413,822	2	25,946,979	26,360,803	6,079,953	32,440,756

	Called up share capital £	Other Reserves £	Profit and loss account £	Total £
Company Statement of Changes in Equity				
At 1st January 2019	413,822	2	8,573,977	8,987,801
Loss for financial year	-	-	(917,057)	(917,057)
Remeasurement of net defined benefit asset	-	-	1,475,000	1,475,000
Tax on items of other comprehensive income	-	-	(280,250)	(280,250)
Total comprehensive expense in year	-	-	277,693	277,693
Dividends paid on equity shares	-	-	(82,765)	(82,765)
At 31st December 2019	413,822	2	8,768,905	9,182,729
Loss for financial year	-	-	(571,424)	(571,424)
Remeasurement of net defined benefit liability	-	-	(6,681,000)	(6,681,000)
Tax on items of other comprehensive income	-	-	1,269,390	1,269,390
Total comprehensive income in year	-	-	(5,983,034)	(5,983,034)
Dividends paid on equity shares	-	-	-	-
At 31st December 2020	413,822	2	2,785,871	3,199,695

The accompanying notes form part of these financial statements.

OTTER CONTROLS LIMITED
GROUP CASH FLOW STATEMENT
Year ended 31st December 2020

	<u>Notes</u>	<u>Year ended 31.12.20</u>		<u>Year ended 31.12.19</u>	
		£	£	£	£
<u>NET CASH INFLOW FROM OPERATING ACTIVITIES</u>	19		6,863,683		1,794,360
<u>Cash flows from investing activities</u>					
Purchase of tangible fixed assets	9	(2,745,373)		(4,800,621)	
Acquisition	27	-		(805,102)	
Proceeds on sale of tangible fixed assets		86,736		834,494	
Net cash flows from investing activities			(2,658,637)		(4,771,229)
<u>Cash flows from financing activities</u>					
Equity dividends paid		(93,000)		(78,549)	
Interest received		39,236		46,893	
Interest paid		(77)		(16,736)	
Net cash flows from financing activities			(53,841)		(48,392)
<u>INCREASE/(DECREASE) IN CASH</u>			<u>4,151,205</u>		<u>(3,025,261)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase/(decrease) in cash		4,151,205	(3,025,261)
Currency translation differences on net cash balances		(785)	(342,723)
Change in net funds resulting from cash flows		4,150,420	(3,367,984)
Net opening funds	20	9,538,901	12,906,885
Net closing funds	20	<u>13,689,321</u>	<u>9,538,901</u>

1 ACCOUNTING POLICIES

Otter Controls Limited is a private company limited by shares and is incorporated in England and Wales registration number 406954. The principal place of business and registered office is Unit 12, Tongue Lane Industrial Estate, Dew Pond Lane, Fairfield, Buxton, Derbyshire, SK17 7LF.

The nature of the group's operations and its principal activities are set out in the Strategic Report and note 11.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Otter Controls Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to remuneration of key management personnel and preparation of a company only cash flow statement.

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 have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of the pandemic and ongoing Covid regulations in the countries that the Group operates and more specifically on the Group's businesses. Based on internal forecasts and projections that take into account reasonably possible changes in the Group's trading performance caused by Covid and other events, the directors believe that the Group is well-placed to manage its business risks despite the ongoing uncertainty in the global economic environment.

The company has agreed to provide financial support to three of its subsidiaries, the provision of which is not a legally binding commitment, should support be required within twelve months of the signing of their financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described below, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Directors have considered this and do not deem there are any key sources of estimation uncertainty applicable to the Company.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Assumptions have been made as at 31st December 2020 for the purpose of disclosures under FRS 102 for the Group and Company of the costs, assets and liabilities of the Group's various pension schemes (see note 23).

Intangible assets - goodwill and intellectual property

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.

Intellectual property is included at cost and depreciated in equal monthly instalments over the life of the licence to use the patent. 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 the 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

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

Leasehold improvements are depreciated over the life of the leases.

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

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.

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

1 ACCOUNTING POLICIES (CONTINUED)

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.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other operating income

Royalty income is based on sales and is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Research and development

Research and development expenditure is written off as incurred.

Taxation

Current taxation 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 taxation is recognised in respect of all timing differences 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.

Unrelieved losses and other deferred tax assets are 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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 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 (CONTINUED)
Year ended 31st December 2020

1 ACCOUNTING POLICIES (CONTINUED)

Government grants

Capital grants are credited over the period in which the benefits from the assets are expected to arise, in line with the depreciation charged on the assets to which the grants relate. Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

i). Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transactions) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when:

- a. the contractual rights to the cash flows from the financial asset expire or are settled, or
- b. the Group transfers to another party substantially all the risks and rewards of ownership of the financial asset, or
- c. the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are only derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii). Investments

In the Company balance sheet, investments in subsidiaries are shown at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of any other consideration. Any premium is ignored.

iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

iv) Convertible loan notes

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On initial recognition the financial liability component is recorded at its fair value. At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

Transaction costs are apportioned between the liability and equity components of the convertible instrument based on their relative fair values at the date of issue. The portion relating to the equity component is charged directly against equity. Where the financial liability component meets the criteria in i). above, the finance costs of the financial liability are recognised over the term of the debt using the effective interest method. If those criteria are not met, the financial liability component is measured at fair value through profit and loss.

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

1 ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

v). Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

vi). Fair value measurement

The best evidence of fair value is a quoted price for an identical transaction in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in the economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

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	
	2020	2019	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£	£	£
Turnover by destination:								
Sales to third parties	13,271,691	14,156,279	21,646,408	21,655,973	33,753,382	33,906,101	68,671,481	69,718,353
Turnover by origin:								
Sales to third parties	22,902,630	24,269,322	15,975,642	14,833,624	29,793,209	30,615,407	68,671,481	69,718,353

3 PROFIT BEFORE TAXATION

Profit before taxation from continuing operations is stated after charging/(crediting):

	Year ended 31.12.20 £	Year ended 31.12.19 £
Income from rent of land & buildings and plant	-	(13,785)
Cost of stock sold	31,036,313	31,921,883
Depreciation	2,974,570	2,770,379
Amortisation of patents	10,181	10,400
Amortisation of goodwill	532,860	532,860
Capital grant income	(4,119)	(5,696)
Job retention scheme monies received	(584,280)	-
Profit on disposal of tangible fixed assets	(32,384)	(742,287)
Plant and machinery hire	23,830	20,157
Vehicle hire	59,363	44,700
Rent on leasehold land and buildings	765,805	411,246
Research and development costs	1,057,028	1,748,721
Foreign exchange loss through profit & loss	92,197	138,753

	Year ended 31.12.20	Year ended 31.12.19
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	40,000	39,200
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	83,331	88,569
	123,331	127,769
Fees payable to third party auditors for subsidiary audits	33,928	34,843
	157,259	162,612

There were no non-audit fees payable to the Group's auditor in the year (2019: nil).

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

3	<u>PROFIT BEFORE TAXATION (CONTINUED)</u>	Year ended 31.12.20	Year ended 31.12.19
	<u>Staff costs (including Directors)</u>	<u>£</u>	<u>£</u>
	Wages and salaries	17,457,284	19,530,644
	Social security costs	1,546,986	1,562,420
	Pension costs	2,242,664	1,587,296
	Severance payments	143,269	-
		<u>21,390,203</u>	<u>22,680,360</u>
	 The average monthly number of persons (including Directors) employed by the Group during the year was:	 Year ended 31.12.20	 Year ended 31.12.19
		<u>Number</u>	<u>Number</u>
	Administrative staff	192	201
	Direct production staff	616	640
	Indirect production staff	131	128
		<u>939</u>	<u>969</u>
4	<u>LOSS ATTRIBUTABLE TO THE COMPANY</u>		
	As permitted by section 408 of the Companies Act 2006, a separate Profit and Loss Account dealing with the results of the Parent Company has not been presented.		
	A loss of £571,424 (2019: loss £917,057) has been reported in the accounts of the Company.		
5	<u>DIRECTORS' REMUNERATION</u>	Year ended 31.12.20	Year ended 31.12.19
		<u>£</u>	<u>£</u>
	Emoluments	910,586	888,879
	Contribution to money purchase pension schemes	169,926	121,988
		<u>1,080,512</u>	<u>1,010,867</u>
	 The number of Directors who:	 Number	 Number
	Are members of a money purchase scheme	<u>7</u>	<u>6</u>
	 Remuneration of highest paid Director:	 £	 £
	Emoluments	191,329	210,433
	Contribution to money purchase pension schemes	24,160	10,000
		<u>215,489</u>	<u>220,433</u>
6	<u>FINANCE (COSTS)/INCOME (NET)</u>	Year ended 31.12.20	Year ended 31.12.19
a.	Investment income	<u>£</u>	<u>£</u>
	Bank interest receivable	39,236	46,893
	Other finance income (note 23)	54,000	21,000
		<u>93,236</u>	<u>67,893</u>
b.	Interest payable on bank loans and overdrafts	77	16,473
	Interest payable on hire purchase agreements	-	263
		<u>77</u>	<u>16,736</u>
	Finance income (net)	<u>93,159</u>	<u>51,157</u>
7	<u>DIVIDENDS</u>	Year ended 31.12.20	Year ended 31.12.19
	Details of dividends paid are as follows:	<u>£</u>	<u>£</u>
	Interims of 10p & 10p per share (2018: 5p)	<u>-</u>	<u>82,764</u>

The Directors recommend a final dividend of 10p per share (2019: nil p).

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

8 <u>TAXATION</u>	Year ended 31.12.20	Year ended 31.12.19
The tax charge comprises:	£	£
<u>Current tax</u>		
UK corporation tax	(156,987)	108,142
UK Research & Development credit	(151,726)	(134,888)
Foreign taxation	808,866	684,237
Adjustments in respect of prior years	1,726	(31,015)
Total current tax	501,879	626,476
<u>Deferred tax</u>		
Deferred tax on pension scheme (deficit)/asset	24,890	84,740
Origination and reversal of timing differences	(15,329)	(23,297)
Total deferred tax	9,561	61,443
Total tax on profit	511,440	687,919

Reconciliation of current tax charge:

The current tax charge is lower than that arising from applying the standard rate of UK corporation tax of 19% (2019: 19%), the differences are explained below:

<u>Factors affecting the corporation tax charge for the year:</u>	Year ended 31.12.20	Year ended 31.12.19
The year's assessed tax differs from the UK standard rate of 19% and the differences are explained below:	£	£
Profit before taxation	3,098,608	484,577
Tax on Group profit at standard rate of 19% (2018: 19%)	588,736	92,070
Effect of:		
Overseas profits rate and provisional tax adjustments	(302,280)	(87,039)
Exchange and other adjustments	100,159	(73,984)
Expenses not deductible for tax purposes	124,286	128,582
Income deductible for tax purposes	(58,993)	(23,056)
Short term timing differences	53,328	78,923
Withholding tax	40,119	34,319
UK Research & Development credit	(151,726)	(134,888)
Adjustments to prior years	1,726	(31,015)
Tax losses adjustments	116,085	704,007
Total tax charge	511,440	687,919

A deferred tax asset of £2,768,000 (2019: £2,083,000) 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.

Factors that may affect future tax charges:

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021 and substantively enacted on 24 May 2021.

9 <u>TANGIBLE FIXED ASSETS</u>	<u>Freehold Land and Buildings</u>	<u>Leasehold Improvements</u>	<u>Plant, Machinery and Motor Vehicles</u>	<u>Total</u>
<u>Group</u>				
<u>Cost</u>	£	£	£	£
At 1st January 2020	6,375,826	1,016,525	52,576,113	59,968,464
Exchange adjustments	67,380	19,706	637,038	724,124
Additions	13,049	40,999	2,691,325	2,745,373
Disposals	-	-	(258,050)	(258,050)
At 31st December 2020	6,456,255	1,077,230	55,646,426	63,179,911
<u>Depreciation</u>				
At 1st January 2020	4,067,527	495,991	42,618,175	47,181,693
Exchange adjustments	53,461	4,553	484,474	542,488
Charge for year	166,800	128,860	2,678,910	2,974,570
Disposals	-	-	(203,698)	(203,698)
At 31st December 2020	4,287,788	629,404	45,577,861	50,495,053
<u>NET BOOK VALUES</u>				
At 31st December 2020	2,168,467	447,826	10,068,565	12,684,858
At 31st December 2019	2,308,299	520,534	9,957,938	12,786,771

Plant and machinery includes capital under construction of £380,402 (2019: £567,508) which is not depreciated.

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

9 TANGIBLE FIXED ASSETS (CONTINUED)		Freehold Land and Buildings	Plant, Machinery & Vehicles	Total
Company				
Cost		£	£	£
At 1st January 2020		3,610,975	31,721,509	35,332,484
Additions		-	112,410	112,410
Disposals		-	-	-
At 31st December 2020		<u>3,610,975</u>	<u>31,833,919</u>	<u>35,444,894</u>
Depreciation				
At 1st January 2020		2,249,505	27,950,563	30,200,068
Charge for year		79,487	914,184	993,671
Disposals		-	-	-
At 31st December 2020		<u>2,328,992</u>	<u>28,864,747</u>	<u>31,193,739</u>
NET BOOK VALUES				
At 31st December 2020		<u>1,281,983</u>	<u>2,969,172</u>	<u>4,251,155</u>
At 31st December 2019		<u>1,361,470</u>	<u>3,770,946</u>	<u>5,132,416</u>
10 INTANGIBLE FIXED ASSETS				
Group	Negative Goodwill	Goodwill	Intellectual Property	Total
Cost	£	£	£	£
At 1st January 2020	(563,191)	7,403,001	378,649	7,218,459
Additions	-	-	-	-
Exchange differences	-	-	(1,812)	-
At 31st December 2020	<u>(563,191)</u>	<u>7,403,001</u>	<u>376,837</u>	<u>7,218,459</u>
Amortisation				
At 1st January 2020	(529,283)	5,306,592	363,886	5,141,195
Exchange differences	-	-	(1,812)	-
Charge for year	-	532,860	10,181	543,041
At 31st December 2020	<u>(529,283)</u>	<u>5,839,452</u>	<u>372,255</u>	<u>5,684,236</u>
NET BOOK VALUE				
At 31st December 2020	<u>(33,908)</u>	<u>1,563,549</u>	<u>4,582</u>	<u>1,534,223</u>
At 31st December 2019	<u>(33,908)</u>	<u>2,096,409</u>	<u>14,763</u>	<u>2,077,264</u>
Company				Patents
Cost				£
At 1st January 2020 and 31st December 2020				<u>480,119</u>
Amortisation				
At 1st January 2020				471,156
Charge for year				4,381
At 31st December 2020				<u>475,537</u>
NET BOOK VALUE				
At 31st December 2020				<u>4,582</u>
At 31st December 2019				<u>8,963</u>

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

11 FIXED ASSET INVESTMENTS

Company

<u>Cost of subsidiaries</u>	£
<u>At 1st January 2020 & 31st December 2020</u>	9,945,738
<u>Additions</u>	-
<u>At 31st December 2016</u>	<u>9,945,738</u>
 <u>Provisions for impairment</u>	
<u>At 1st January 2020 & 31st December 2020</u>	<u>2,598,013</u>
 <u>Net book value at 31st December 2020</u>	<u>7,347,725</u>
 <u>Net book value at 31st December 2019</u>	<u>7,347,725</u>

All subsidiaries are consolidated in the Group consolidated financial statements.

<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	Netherlands	Holding company
Ferro Techniek B.V.	Ordinary	89	0	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 of components
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
Dunford & Pearson Limited	Ordinary	100	nil	England	Manufacture of wiring harnesses
Carville Switchgear Limited	A Ordinary B Ordinary S Ordinary	78 78 78	nil nil nil	England	Manufacture of switchboards and panels
 <u>Subsidiary</u>	<u>Registered office:</u>				
Tarka Controls Limited	Unit 12, Tongue Lane Industrial Estate, Dew Pond Lane, Buxton, Derbyshire, United Kingdom.				
Montgomery Thermostats Limited	Unit 12, Tongue Lane Industrial Estate, Dew Pond Lane, Buxton, Derbyshire, United Kingdom.				
St. Davids Assemblies Limited	Unit 12, Tongue Lane Industrial Estate, Dew Pond Lane, Buxton, Derbyshire, United Kingdom.				
L.C.S. Holdings Limited	Unit 16, St. Josephs Close, Hove, East Sussex, United Kingdom.				
L.C. Switchgear Limited	Unit 16, St. Josephs Close, Hove, East Sussex, United Kingdom.				
Dunford & Pearson Limited	Unit 7, Palmbourne Business Park, Castle Street, Stafford, Staffordshire, United Kingdom.				
Ferro Techniek (Holding) B.V.	Bremstraat 1, NL 7011, AT Gaandaren, The Netherlands.				
Ferro Techniek B.V.	Bremstraat 1, NL 7011, AT Gaandaren, The Netherlands.				
Ferro Electronics Kft	Levelezesi cim 1047, Budapest, Foti ut 56, Hungary.				
Ferro Techniek Colombia SAS	Cra 42, 35-95 Autopista sur Itagul, Medellin, Colombia.				
Otter Controls India Private Limited	Shed 6, U Turn Industrial Estate, Kharabwadi, Chakan, India.				
Otter Controls (Asia) Limited	10F Capella HTR, 47 Hung To Road, Kwun Tong, Hong Kong.				
Otter Controls (Huizhou) Limited	Building F, Spread Profit Industrial Park, Lilin Town, Huizhou City, Guangdong, China.				
Carville Switchgear Limited	Gloucester House, Church Walk, Burgess Hill, West Sussex, RH15 9AS.				

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

12 STOCKS	31.12.20	31.12.19
<u>Group</u>	<u>£</u>	<u>£</u>
Raw materials and consumables	7,186,642	6,511,917
Work in progress	1,943,338	2,057,537
Finished goods	1,750,495	2,198,172
	<u>10,880,475</u>	<u>10,767,626</u>
<u>Company</u>		
Raw materials and consumables	1,534,643	1,550,752
Work in progress	331,696	483,833
Finished goods	220,314	357,336
	<u>2,086,653</u>	<u>2,391,921</u>

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

13 DEBTORS	31.12.20	31.12.19
<u>Group</u>	<u>£</u>	<u>£</u>
Trade debtors	6,290,311	8,069,384
Corporation tax recoverable	748,963	778,052
Deferred tax asset	898,145	-
Other debtors	1,627,283	1,038,442
Prepayments	1,440,263	867,033
	<u>11,004,965</u>	<u>10,752,911</u>
<u>Company</u>		
Trade debtors	1,386,147	1,205,844
Due from subsidiary undertakings	1,894,894	2,105,272
Deferred tax asset	781,090	-
Other debtors	49,219	98,378
Prepayments	181,124	140,063
	<u>4,292,474</u>	<u>3,549,557</u>

All debtors are due within one year.

14 CREDITORS	31.12.20	31.12.19
<u>Group</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:		
Bank loans and overdrafts	-	1,117
Obligations under hire purchase agreements	-	8,158
Trade creditors	5,832,647	4,320,682
Corporation tax	833,680	1,292,835
Other taxation and social security	1,499,924	1,857,429
Accruals	3,949,777	4,450,326
Other creditors	378,260	372,040
	<u>12,494,288</u>	<u>12,302,587</u>
<u>Company</u>		
Amounts falling due within one year:		
Trade creditors	865,774	659,834
Due to subsidiary undertakings	10,838,451	10,115,082
Other taxation and social security	157,251	247,500
Accruals	559,026	537,345
Other creditors	378,261	372,040
	<u>12,798,763</u>	<u>11,931,801</u>

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

14	<u>CREDITORS</u>	<u>31.12.20</u>	<u>31.12.19</u>
	<u>Group</u>	£	£
	Amounts falling due after more than one year:		
	Deferred capital grant	53,597	57,716
		<u>53,597</u>	<u>57,716</u>

15	<u>PROVISIONS & DEFERRED TAXATION</u>	Deferred tax on pensions	Accelerated capital allowances	Deferred tax liability/(asset) Total	Guarantee liabilities
	<u>Group</u>	£	£	£	£
	<u>At 1st January 2020</u>	529,530	9,977	539,507	77,758
	Debit/(credit) to profit and loss account	24,890	(15,329)	9,561	(1,740)
	Credit taken to statement of changes in equity	(1,452,170)	-	(1,452,170)	-
	Exchange differences	-	4,957	4,957	4,183
	<u>At 31st December 2020</u>	<u>(897,750)</u>	<u>(395)</u>	<u>(898,145)</u>	<u>80,201</u>
	<u>Company</u>	£	£	£	£
	<u>At 1st January 2020</u>	455,050	-	455,050	-
	Charge to profit and loss account	33,250	-	33,250	-
	Credit taken to statement of changes in equity	(1,269,390)	-	(1,269,390)	-
	<u>At 31st December 2020</u>	<u>(781,090)</u>	<u>-</u>	<u>(781,090)</u>	<u>-</u>

Accelerated capital allowances

The provision for deferred tax on timing differences and unused tax losses is discussed in note 8 Taxation.

Guarantee liabilities

This relates to Jubilee Fees guaranteed in The Netherlands and a limited time sales guarantee on switchgear.

16	<u>SHARE CAPITAL</u>	<u>31.12.20</u>	<u>31.12.19</u>
	<u>Allotted, issued and fully paid</u>	£	£
	21 'A' ordinary shares of £1 each	21	21
	413,801 'B' ordinary shares of £1 each	413,801	413,801
		<u>413,822</u>	<u>413,822</u>

The voting 'A' ordinary shares have different transfer rights, the 'A' members appoint the Directors of the company and are eligible to vote at General Meetings of the company. Dividend rights are the same for both types of shares.

17 RESERVES

Called up share capital represents the nominal value of shares that have been issued.
Profit and loss account includes all current and prior period retained profits and losses.

18	<u>NON CONTROLLING INTERESTS</u>	<u>31.12.20</u>
		£
	<u>At 1st January 2020</u>	5,460,529
	Profit on ordinary activities after taxation	678,681
	Currency translation differences	49,193
	Dividends to minority interests	(93,000)
	Share of investment writedown	(15,450)
	<u>At 31st December 2020</u>	<u>6,079,953</u>

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

19 <u>NET CASH INFLOW FROM OPERATING ACTIVITIES</u>	<u>31.12.20</u> £	<u>31.12.19</u> £
Operating profit	3,005,449	433,420
Depreciation and amortisation (including amortisation of capital grants)	3,513,492	3,313,639
FRS 102 pension scheme adjustments	(77,000)	(425,000)
Minority interest adjustments	-	(171,241)
Profit on sale of tangible fixed assets	(32,384)	(742,287)
Operating cash flow before movement in working capital	6,409,557	2,408,531
Increase in stocks	(112,849)	(930,855)
Decrease in debtors	617,002	536,690
Increase/(decrease) in creditors	651,973	(232,828)
Decrease in provisions	(1,740)	(44,460)
Currency translation differences	205,862	86,258
Cash generated by operations	7,769,805	1,823,336
Net corporation taxes paid	(906,122)	(28,976)
	<u>6,863,683</u>	<u>1,794,360</u>

20 <u>ANALYSIS OF CHANGES IN NET FUNDS</u>	<u>As at</u> <u>1.1.20</u> £	<u>Acquisition</u> £	<u>Cash flow</u> £	<u>Exchange</u> <u>movements</u> £	<u>As at</u> <u>31.12.20</u> £
Cash in hand and at bank	9,540,018	-	4,150,088	(785)	13,689,321
Bank overdrafts	(1,117)	-	1,117	-	-
	<u>9,538,901</u>	-	<u>4,151,205</u>	<u>(785)</u>	<u>13,689,321</u>

21 <u>CAPITAL EXPENDITURE COMMITMENTS</u>	<u>31.12.20</u> £	<u>31.12.19</u> £
<u>Group</u>		
Capital expenditure contracted for but not provided for in these accounts	<u>831,576</u>	<u>322,000</u>
<u>Company</u>		
Capital expenditure contracted for but not provided for in these accounts	<u>166,069</u>	<u>187,000</u>

22 FINANCIAL COMMITMENTS

Total future minimum payments under non-cancellable operating leases are:

Leasehold land and buildings	<u>31.12.20</u> £	<u>31.12.19</u> £
Within 1 year	757,710	628,958
Between 1 and 2 years	663,807	192,335
Between 2 and 5 years	705,500	47,278
Over 5 years	-	-
	<u>2,127,017</u>	<u>868,571</u>
 Other	 <u>31.12.20</u> £	 <u>31.12.19</u> £
Within 1 year	67,380	71,271
Between 1 and 2 years	34,111	27,155
Between 2 and 5 years	36,991	5,244
	<u>138,482</u>	<u>103,670</u>

23 EMPLOYEE BENEFITS

Defined Contribution Schemes

The Group operates defined contribution schemes for several of its subsidiaries and for the parent company, the amount charged to the profit and loss account in respect of these pension costs and other post retirement benefits is the contributions payable in the year. The total cost charged to income by the Group in the year at the rates specified in the rules of the plans was £1,313,340 (2019: £1,292,022) of which accrued contributions of £68,565 (2019: accrual £74,362) are shown in the balance sheet.

Defined Benefit Scheme

The Company and St Davids Assemblies Limited are participating employers in the Otter Controls Limited 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 as at 31 December 2020 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.

The Retirement Benefit Scheme was closed to employees commencing employment on or after 1 November 2002 and to service accrual from 31 October 2016.

FRS 102

Under the provisions of FRS 102 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 2019. 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 2020 were £619,000 (2019: £619,000) for the Group and £619,000 (2019: £619,000) for the Company. The current agreement as regards the contribution rate for future years is described in the schedule of contributions dated 11 December 2017.
- 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%).

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

23 EMPLOYEE BENEFITS (CONTINUED)

Assumptions:

The following assumptions have been made as at 31st December 2020 for the purpose of disclosures under FRS 102 for the Group and Company:

	31.12.20	31.12.19
	%	%
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions:		
Pre 6 April 1997, excess over GMP	0.0	0.0
Post 5 April 1997	2.2	2.0
Post 6 April 2005	2.2	2.0
Rate of revaluation of deferred pensions in excess of GMP:		
Service before 6/4/09	2.5	2.5
Service post 5/4/09	2.2	2.5
Discount rate	1.4	2.0
Inflation assumption		
- RPI	2.9	2.9
- CPI	2.2	2.0
	Years	Years
Life expectancy at retirement age of 63		
Male	22.4	23.8
Female	24.8	25.5
Life expectancy at 63 if aged 43 now		
Male	23.7	25.5
Female	26.3	27.1

Notes:

- 1) The discount rate at 31st December 2020 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 2016. The post retirement mortality assumptions used to value the benefit obligation as at 31 December 2020 are based on the S3 SAPS Mortality tables (2019: S2Px A Year of Birth tables).

Fair value and expected return on assets

The fair market value and expected return on assets at 31st December 2020 were as follows:

<u>Group</u>	Long term rate of return expected			Market Value		
	31.12.20	31.12.19	31.12.18	31.12.20	31.12.19	31.12.18
	%	%	%	£	£	£
Equities	3.7	4.3	4.8	32,828,000	32,165,000	25,775,000
Bonds	1.4	2.0	2.8	28,854,000	25,123,000	20,544,000
Property	3.2	3.8	4.3	-	324,000	1,530,000
Other	0.1	0.8	0.5	4,081,000	7,594,000	9,676,000
Insured assets	1.4	2.0	2.8	18,189,000	19,505,000	19,539,000
Total fair market value				83,952,000	84,711,000	77,064,000
<u>Company</u>	Long term rate of return expected			Market Value		
	31.12.20	31.12.19	31.12.18	31.12.20	31.12.19	31.12.18
	%	%	%	£	£	£
Equities	3.2	4.3	4.8	28,560,000	27,740,000	22,229,000
Bonds	1.4	2.0	2.8	25,103,000	21,667,000	17,717,000
Property	2.7	3.8	4.3	-	279,000	1,319,000
Other	0.8	0.8	0.5	3,550,000	6,549,000	8,344,000
Insured assets	2.2	2.0	2.8	15,825,000	17,322,000	17,353,000
Total fair market value				73,038,000	73,557,000	66,962,000

OTTER CONTROLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31st December 2020

23 EMPLOYEE BENEFITS (CONTINUED)

	Group 31.12.20	Group 31.12.19	Group 31.12.18	Company 31.12.20	Company 31.12.19	Company 31.12.18
<u>Reconciliation to the balance sheet</u>	£	£	£	£	£	£
Total fair market value of assets	83,952,000	84,711,000	85,509,000	73,038,000	73,557,000	66,962,000
Less: present value of scheme liabilities	(88,677,000)	(81,924,000)	(84,717,000)	(77,149,000)	(71,162,000)	(66,516,000)
Recognisable (deficit)/surplus pre deferred tax	(4,725,000)	2,787,000	792,000	(4,111,000)	2,395,000	446,000

	Group 31.12.20	Group 31.12.19	Company 31.12.20	Company 31.12.19
<u>Changes in the present value of the defined benefit obligation are as follows:</u>	£	£	£	£
Opening defined benefit obligation	81,924,000	76,538,000	71,162,000	66,516,000
Service cost and expenses	281,000	194,000	264,000	164,000
Interest cost	1,617,000	2,101,000	1,405,000	1,826,000
Employee contributions	-	-	-	-
Actuarial (gain)/loss	7,539,000	6,312,000	6,672,000	5,472,000
Benefits paid	(2,945,000)	(3,221,000)	(2,581,000)	(2,816,000)
Losses due to benefit changes	261,000	-	227,000	-
Closing defined benefit obligation	88,677,000	81,924,000	77,149,000	71,162,000

	Group 31.12.20	Group 31.12.19	Company 31.12.20	Company 31.12.19
<u>Changes in the present value of the plan assets are as follows:</u>	£	£	£	£
Opening fair value of the scheme assets	84,711,000	77,064,000	73,557,000	66,962,000
Expected return	1,671,000	2,122,000	1,452,000	1,845,000
Actuarial (loss)/gain	(104,000)	8,127,000	(9,000)	6,947,000
Employer contributions	619,000	619,000	619,000	619,000
Benefits paid	(2,945,000)	(3,221,000)	(2,581,000)	(2,816,000)
Closing fair value of scheme assets	83,952,000	84,711,000	73,038,000	73,557,000

	Group 31.12.20	Group 31.12.19	Company 31.12.20	Company 31.12.19
<u>The amounts recognised in the profit and loss account are as follows:</u>	£	£	£	£
Defined benefit service cost	65,000	78,000	57,000	73,000
Expenses and other	216,000	116,000	207,000	91,000
Losses due to benefit changes	261,000	-	227,000	-
Net interest cost/(credit)	(54,000)	(21,000)	(47,000)	(19,000)
Defined benefit scheme total cost	488,000	173,000	444,000	145,000
Defined contribution scheme costs	1,313,430	1,292,022	718,202	750,082
Life assurance and other costs	122,959	122,274	113,619	115,676
	1,924,389	1,587,296	1,275,821	1,010,758

	Group 31.12.20	Group 31.12.19	Company 31.12.20	Company 31.12.19
<u>Analysis of amount credited to other finance income:</u>	£	£	£	£
Expected return on pension scheme assets	1,671,000	2,122,000	1,452,000	1,845,000
Interest on pension scheme liabilities	(1,617,000)	(2,101,000)	(1,405,000)	(1,826,000)
Net return	54,000	21,000	47,000	19,000

OTTER CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 2020

23 EMPLOYEE BENEFITS (CONTINUED)

<u>Amounts recognised in the statement of</u>	Group	Group	Company	Company
<u>recognised gains and losses:</u>	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Actual return less expected return on pension scheme assets	(104,000)	8,127,000	(9,000)	6,947,000
Gains & losses arising on the scheme liabilities	(919,000)	400,000	(913,000)	336,000
Changes in assumptions underlying the present value of the scheme liabilities	(6,620,000)	(6,712,000)	(5,532,000)	(5,808,000)
	<u>(7,643,000)</u>	<u>1,815,000</u>	<u>(6,454,000)</u>	<u>1,475,000</u>

The cumulative amount of actuarial gains and losses recognised in the group statement of changes of equity, is a loss of £12,140,454 (2019: loss of £4,758,454).

<u>History of experience gains and losses:</u>	Group	Group	Company	Company
<u>Group</u>	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Fair value of plan assets	83,952,000	84,711,000	73,038,000	73,557,000
Less: present value of defined benefit obligation	(88,677,000)	(81,924,000)	(77,149,000)	(71,162,000)
(Deficit)/surplus in the plan	<u>(4,725,000)</u>	<u>2,787,000</u>	<u>(4,111,000)</u>	<u>2,395,000</u>
Experience adjustments arising on plan assets	(104,000)	8,127,000	(9,000)	6,947,000
% of present value of scheme liabilities	0%	10%	0%	10%
Experience adjustments arising on plan liabilities	-	-	-	-
% of scheme assets	0%	0%	0%	0%

24 RELATED PARTIES

The following related party transactions were made during the year:

During the year the parent company sold goods and services to St Davids Assemblies Ltd. totalling £629,387 (2019: £651,730) and at the year end £896,728 (2019: £667,993) was owed.

During the year the parent company sold goods and services to Otter Controls (Asia) Ltd. totalling £1,453,619 (2019: £349,859) and at the year end £228,013 (2019: £7,372) was owed.

During the year the parent company sold goods to Otter Controls (Huizhou) Ltd. totalling £1,176,450 (2019: £1,721,100) and at the year end £167,914 (2019: £551,513) was owed.

During the year the parent company purchased goods from St Davids Assemblies Ltd. totalling £642,974 (2019: £420,531) and at the year end £nil (2019: £nil) was owed.

During the year the parent company purchased goods from Otter Controls (Huizhou) Ltd. totalling £16,806 (2019: £35,604) and at the year end £61,403 (2019: £125,077) was owed.

During the year the parent company purchased services from Otter Controls (Asia) Ltd. totalling £145,801 (2019: £145,801) and at the year end £126,807 (2019: £45,362) was owed.

During the year the parent company purchased services from Dunford & Pearson Ltd. totalling £178 (2019: £nil) and at the year end £178 (2019: £nil) was owed.

During the year the parent company purchased services from Ferro Techniek B.V. totalling £65,385 (2019: £nil) and at the year end £5,499 (2019: £nil) was owed.

There were no transactions between the parent company and Montgomery Thermostats Limited and at the year end the parent owed £1,743 (2019: £1,743).

There were no sales of goods between the parent company and Tarka Controls Limited and at the year end the parent owed £7,292,492 (2019: £7,718,642). Dividends of £nil (2019: £1,132,710) were paid to the parent company.

OTTER CONTROLS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31st December 2020

25 FINANCIAL INSTRUMENTS

The carrying value of the Group and company's financial assets and liabilities are summarised by category below:

	Group 31.12.20	Group 31.12.19	Company 31.12.20	Company 31.12.19
Financial assets:				
Debt instruments measured at amortised cost:	£	£	£	£
Trade and other debtors	8,815,739	9,107,826	2,216,456	1,304,222
Amounts due from subsidiaries	-	-	1,894,894	2,105,272
Cash and cash equivalents	13,689,321	9,540,018	2,126,869	743,998
	<u>22,505,060</u>	<u>18,647,844</u>	<u>6,238,219</u>	<u>4,153,492</u>
Financial liabilities:				
Measured at amortised cost:				
Bank overdraft	-	1,117	-	-
Trade and other creditors	10,214,281	9,208,922	1,803,061	1,569,219
Amounts due to subsidiaries	-	-	10,838,451	10,115,082
	<u>10,214,281</u>	<u>9,210,039</u>	<u>12,641,512</u>	<u>11,684,301</u>

The Group's and company's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group 31.12.20	Group 31.12.19	Company 31.12.20	Company 31.12.19
Interest income and expense:	£	£	£	£
Total interest income for financial assets at amortised cost	<u>39,236</u>	<u>46,893</u>	<u>32</u>	<u>32</u>
Total interest expense for financial liabilities at amortised cost	<u>77</u>	<u>16,736</u>	<u>-</u>	<u>-</u>

26 ULTIMATE CONTROLLING PARTY

Dr D.Smith, a Director of Otter Controls Limited and members of his family control the management of the company as a result of controlling, directly or indirectly 76% of the Ordinary A shares of the company.

27 BUSINESS COMBINATIONS

The Group acquired all of the ordinary share capital of Carville Switchgear Limited, a company based in Surrey that manufacture low voltage switchboards and motor control panels on 30 April 2019.

All assets and liabilities were acquired at fair value by the company:

	£
Property, plant and equipment	152,127
Stock	483,350
Trade and other receivables	658,552
Cash	285,158
Trade and other payables	(472,342)
Deferred tax and other provisions	(16,585)
Purchase consideration	<u>1,090,260</u>
Purchase consideration, settled in cash	1,090,260
Less: cash acquired	<u>(285,158)</u>
Net cash outflow	<u>805,102</u>

OTTER CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 2020

28 CONTINGENT LIABILITY

A legal claim has been lodged against St. Davids Assemblies Limited (St. Davids) in respect of a contract for the supply of an automated production line to produce their H series switches. The fixed price contract was payable and was paid in instalments and the supplier had invoiced St. Davids up to the delivery stage before it refused to deliver the machinery and demanded extra monies. St. Davids lawyers obtained delivery of the machinery but it is currently unusable and was supplied without the contractual documentation, CAD designs and the required CE certificate. The claim for alleged additional work performed has been stated to be valued at £250,000 plus interest and legal costs. St. Davids legal advice is that the action is unlikely to succeed, so accordingly no provision has been made in the financial statements and legal costs are expensed as incurred by St. Davids.