Watts Industries UK Limited

Annual report and financial statements

Registered number 02642521

31 December 2016

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Strategic Report

Principal activities and business review

The principal activity of the company during the year was that of the trade of components, parts and devices to serve applications and/or installations in the field of plumbing, heating, the manufacture of valves, manifolds and controls for the water quality, gas and general industries.

Profit for the year after taxation amounted to £520,549 *(2015: £439,416 Loss).*

During the year turnover increased but gross margins actually decreased due to very unfavourable exchange rates, particularly the Euro, the currency in which a high percentage of purchases are made.

In light of this, selling prices are constantly under review although the possibility of increasing prices and margins is extremely limited.

2017 is expected to be shrouded in uncertainty as the UK starts negotiations to leave the European Union.

The company has make the strategic decision to dispose of the High Pressure Division of the business. There will also be an investment in the sales team to maximise sales of both existing and new product lines.

By order of the board

O. Giverdon
Secretary

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Directors

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

N. Wood	(Appointed 09/12/2016)
R. van Bergen	(Appointed 10/03/2016)
O. Giverdon	(Appointed 17/05/2016)
M. Sanchez	(Resigned 01/03/2016)
C.H. Pruim	(Resigned 09/12/2016)
G. Obafemi	(Resigned 09/12/2016)

Dividends

A dividend of £nil was paid for the year ended 31 December 2016 *(2015: £nil).*

Donations

The Company made no political donations or charitable donations during the year (2015: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

By order of the board

R. van Bergen
Director

Ambuscade Road
Colmworth Business Park
Eaton Socon
Cambridgeshire
PE19 8YX

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) 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 of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Watts Industries UK Limited

We have audited the financial statements of Watts Industries UK Limited for the year ended 31 December 2016 set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Richard Bartlett-Rawlings (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR
15 December 2017

Profit and Loss Account

for the year ended 31 December 2016

	Note	2016 Continuing £	2016 Discontinued £	2016 Total £	2015 Continuing £	2015 Discontinued £	2015 Total £
Turnover	3	**10,253,576**	**2,224,243**	**12,477,819**	9,270,414	2,378,710	11,649,124
Cost of sales		**(6,547,367)**	**(1,759,377)**	**(8,306,744)**	(4,961,049)	(1,881,248)	(6,842,297)
Gross profit		**3,706,209**	**464,866**	**4,171,075**	4,309,365	497,462	4,806,827
Administration costs		**(2,867,283)**	**(621,982)**	**(3,489,265)**	(4,687,900)	(421,458)	(5,109,358)
Operating Profit / (Loss)	4	**838,926**	**(157,116)**	**681,810**	(378,535)	76,004	(302,531)
Interest receivable and similar income	7	**4,150**	-	**4,150**	3,847	-	3,847
Interest payable and similar charges	8	**(8,627)**	-	**(8,627)**	(4,878)	-	(4,878)
Profit / (Loss) before taxation		**834,449**	**(157,116)**	**677,333**	(379,566)	76,004	(303,562)
Tax on profit	9	**(188,526)**	**31,742**	**(156,784)**	(120,653)	(15,201)	(135,854)
Profit / (Loss) for the financial year after taxation – being total comprehensive income / (loss)		**645,923**	**(125,374)**	**520,549**	(500,219)	60,803	(439,416)

The company has no recognised gains or losses other than the total comprehensive income for the current or preceding year.

The notes on pages 8 to 18 form an integral part of these financial statements.

Balance sheet

At 31 December 2016

	Note	2016		2015	
		£	£	£	£
Fixed assets					
Intangible assets	*10*		**229,612**		258,793
Tangible assets	*11*		**248,235**		229,477
Investments	*12*		**3,854,463**		3,854,463
			4,332,310		4,342,733
Current assets					
Stocks	*13*	**1,980,374**		2,363,162	
Debtors	*14*	**2,187,489**		2,237,201	
Cash at bank		**4,425,394**		3,543,725	
		8,593,257		8,144,088	
Creditors: Amounts falling due within one year	*15*	**(6,137,811)**		(6,237,782)	
Net current assets			**2,455,446**		1,906,306
Provision for liabilities – deferred tax	*16*		**(34,907)**		(16,739)
Total assets less current liabilities, being net assets			**6,752,849**		6,232,300
Capital and reserves					
Called up share capital	*18*		**10,000**		10,000
Profit and loss account			**6,742,849**		6,222,300
Shareholders' funds			**6,752,849**		6,232,300

These financial statements were approved by the board of directors on 13 December 2017 and were signed on its behalf by:

R. van Bergen
Director

O. Giverdon
Director

Company registered number: 02642521

The notes on pages 8 to 18 form an integral part of these financial statements.

Statement of Changes in Equity
at 31 December 2016

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2015	10,000	6,661,716	6,671,716
Total comprehensive income for the period			
Profit	-	(439,416)	(439,416)
Balance at 31 December 2015	**10,000**	**6,222,300**	**6,232,300**

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2016	10,000	6,222,300	6,232,300
Total comprehensive income for the period			
Profit	-	520, 549	520, 549
Balance at 31 December 2016	**10,000**	**6,742,849**	**6,752,849**

The notes on pages 8 to 18 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

Watts Industries UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1, unless otherwise stated.

The Company's ultimate parent undertaking, Watts Water Technologies Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Watts Water Technologies Inc. are available to the public and may be obtained from Corporate Headquarters, 815 Chestnut Street, North Andover, MA 01845-6098, USA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) (see back page) has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Watts Water Technologies Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.10 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Warehouse equipment - straight line over 10 years
- Fixtures, fittings and equipment - straight line over 10 years
- Motor vehicles - straight line over 4 years
- Office and exhibition equipment - straight line over 3 years

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Intangible assets, goodwill and negative goodwill

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Goodwill on acquisition of business 20 years

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 Turnover

Turnover is the total amount receivable by the company for goods supplied, excluding VAT and trade discounts. Revenue from the sale of goods is only recognised when the company has transferred the significant risks and rewards of ownership of the goods to the buyer and the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.12 Discontinued Operations

Discontinued operations are components of the company that have been disposed of at the reporting date and previously represented a separate major line of business.

They are included in the profit and loss account in a separate column for the current and comparative periods.

Notes *(continued)*

2 Disposal of Business

Discontinued operation

At 31st December 2016, the company had a binding sales agreement for the High Pressure Division of the business. The sale was completed on 28th February 2017. This has been classified as a discontinued operation.

3 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company (sales of goods).

An analysis of turnover by geographical market is given below:

	2016 £	2015 £
UK	**11,925,711**	11,154,645
Europe	**446,262**	359,090
Rest of world	**105,846**	135,389
	12,477,819	11,649,124

4 Operating profit

	2016 £	2015 £
Operating profit is stated after charging/(crediting)		
Depreciation:		
Owned assets	**73,661**	52,416
Impairment	**74,562**	-
Goodwill amortisation	**29,181**	28,242
Foreign exchange differences	**116,350**	46,243
Impairment loss on investments	**-**	859,770
Operating leases expenses	**80,975**	87,468
Auditor's remuneration		
Audit of these financial statements	**35,000**	18,000

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees 2016	2015
Sales and distribution	62	53

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	2,241,246	2,199,615
Social security costs	238,003	238,986
Other pension costs	112,161	107,468
	2,591,410	2,546,069

6 Directors' remuneration

	£	£
Directors' employments	8,761	121,030
Directors' pension contributions to money purchase scheme	876	16,360

The number of directors to whom retirement benefits were accruing was as follows:

	Number of directors	
Defined contribution schemes	1	2

7 Interest receivable and similar income

	2016 £	2015 £
Bank and group interest	4,150	3,847
Interest received on tax paid early	-	-
	4,150	3,847

8 Interest payable and similar charges

	2016 £	2015 £
Interest payable	8,627	4,878

Notes *(continued)*

9 Taxation

Analysis of charge in year	2016 £	2015 £
UK corporation tax		
Current tax on income for the year	**138,636**	112,878
Adjustments in respect of prior years	**-**	6,217
Deferred Tax (note 16)	**18,148**	16,759
Tax on profit on ordinary activities	**156,784**	135,854

Factors affecting the tax charge for the current year

The current tax charge for the year is Higher *(2015: Higher)* than the standard rate of corporation tax in the UK of 20% *(2015: 20.25%)*. The differences are explained below:

	2016 £	2015 £
Current tax reconciliation		
Profit/loss on ordinary activities before tax	**677, 333**	(303,562)
Current tax at 20 % *(2015: 20.25%)*	**135,467**	(61,471)
Effects of:		
Expenses not deductible for tax purposes	**14,303**	176,755
Capital allowances for year in excess of depreciation	**(11,134)**	(2,406)
Adjustment in respect of prior years	**-**	6,217
Deferred tax timing differences	**18,148**	16,759
Total current tax charge (see above)	**156, 784**	135,854

Factors affecting future tax charge

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability.

Notes *(continued)*

10 Intangible fixed assets

	Goodwill £
Cost	
At beginning and end of year	583,408
At 31 December 2016	**583,408**
Amortisation	
At beginning of year	324,615
Amortisation for year	29,181
At end of year	**353,796**
Net book value	
At 31 December 2016	**229,612**
At 31 December 2015	258,793

11 Tangible fixed assets

	Leasehold Improvements £	Plant and equipment £	Total
Cost			
At beginning of year	55,466	1,573,735	1,629,201
Additions	-	168,301	168,301
Disposals	-	(2,200)	(2,200)
At end of year	**55,466**	**1,739,836**	**1,795,302**
Depreciation			
At beginning of year	7,396	1,392,328	1,399,724
Charge for the year	3,698	69,963	73,661
Disposals	-	(880)	(880)
Impairment	-	74,562	74,562
At end of year	**11,094**	**1,535,973**	**1,547,067**
Net book value			
At 31 December 2016	**44,372**	**203,863**	**248,235**
At 31 December 2015	48,070	181,407	229,477

Notes *(continued)*

12 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning of year	**4,714,233**
Additions	-
Disposals	-
At end of year	**4,714,233**
Impairment	**(859,770)**
Net book value	
At 31 December 2016	**3,854,463**
At 31 December 2015	3,854,463

The net book value of £3,854,463 relates entirely to the company's investment in Black Teknigas and Electro Controls Limited. All other fixed asset investments have been written off in prior periods.

The company's investments at the balance sheet date in the share capital of companies include the following:

Electro Controls Limited
Country of incorporation: England and Wales
Nature of business: Dormant

Class of shares: Ordinary
Holding: 100%

Black Teknigas and Electro Controls Limited
Country of incorporation: England and Wales
Nature of business: Dormant from 1st April 2015
Manufacture and sale
Class of shares: Ordinary
Holding: 100%

13 Stocks

	2016 £	2015 £
Raw Materials	**697,157**	732,455
Work in progress	**144,076**	234,782
Finished goods	**1,139,141**	1,395,925
	1,980,374	2,363,162

Notes *(continued)*

14 Debtors

	2016 £	2015 £
Trade debtors	**1,774,856**	1,898,293
Amounts owed by group undertakings	**316,249**	256,384
Prepayments	**96,384**	82,524
	2,187,489	2,237,201

15 Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	**641,555**	693,189
Amounts owed to group undertaking	**4,816,858**	4,493,459
Social security and other taxes	**74,375**	80,005
VAT	**371,758**	409,849
Corporation tax	**32,513**	32,397
Accrued expenses	**200,752**	528,883
	6,137,811	6,237,782

16 Provision for liabilities

The movement in the deferred taxation asset during the year was:

	2016 £	2015 £
Liability at beginning of year	**16,759**	-
Origination / (Reversal) of Timing differences	**18,148**	16,739
Liability at the end of year	**34,907**	16,739

17 Pension commitments

The company operates a defined contribution pension scheme in respect of the employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £112,161 (2015: £107,468). £11,821 (2015: £14,839) was outstanding at the end of the year.

Notes *(continued)*

18 Called up share capital

	2016 £	2015 £
Allotted, issued and fully paid:		
10,000 ordinary shares of £1 each	**10,000**	10,000

19 Operating lease commitments

At 31 December 2016, non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other operating leases	
	2016 £	2015 £	**2016** £	2015 £
Within one year	**397,880**	397,880	**49,953**	11,916
Between one and five years	**1,591,520**	1,591,520	**48,924**	48,540
In more than five years	**2,685,690**	3,083,570	**-**	-
	4,675,090	5,072,970	**98,877**	60,456

20 Related party disclosures

The company is exempt from the requirement to disclose transactions with other Watts group undertakings on the grounds that it is a wholly owned subsidiary of Watts Industries Europe BV and its results are included in the company's financial statements.

21 Ultimate parent company and controlling party

The ultimate parent company and controlling party is Watts Water Technologies Inc. A company incorporated in the United States of America. Copies of the consolidated financial statements of this company are available from its offices at:

Corporate Headquarters
815 Chestnut Street
North Andover
MA 01845-6098
USA

The immediate parent company is Watts Industries Europe BV, a company incorporated in Holland. Copies of the consolidated financial statements of this company are available from its offices at:

Strawinskylaan 3099
1077 ZX
Amsterdam
Netherlands

22 Subsequent events

On the 28th February 2017, the High Pressure Division of the business was sold.