

REGISTERED NUMBER: 03891188 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**  
**FOR**  
**K A WATTS PLUMBING & HEATING LIMITED**

Langdowns DFK Limited  
Statutory Auditor  
Fleming Court  
Leigh Road  
Eastleigh  
Southampton  
Hampshire  
SO50 9PD

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**K A WATTS PLUMBING & HEATING LIMITED**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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<b>DIRECTORS:</b>	Mr K A Watts Mrs K R Watts Mr N D N Staines Mr R P Jenkins
<b>SECRETARY:</b>	Mrs K R Watts
<b>REGISTERED OFFICE:</b>	Fleming Court Leigh Road Eastleigh Southampton Hampshire SO50 9PD
<b>BUSINESS ADDRESS:</b>	Unit 9 M3 Trade Park Manor Way Eastleigh Hampshire SO50 9YA
<b>REGISTERED NUMBER:</b>	03891188 (England and Wales)
<b>SENIOR STATUTORY AUDITOR:</b>	Graham Taylor
<b>AUDITORS:</b>	Langdowns DFK Limited Statutory Auditor Fleming Court Leigh Road Eastleigh Southampton Hampshire SO50 9PD
<b>BANKERS:</b>	Barclays Old Corn Exchange Market Place Romsey Hampshire SO51 8YA

**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their strategic report for the year ended 31 December 2017.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

**REVIEW OF BUSINESS**

The Company continues to operate as an installer of plumbing and heating, primarily in new build properties, and supported by its maintenance division. The Company has continued to be successful in expanding its customer base and a good level of profitability has been achieved.

We consider that the strength of the Balance Sheet at the year-end will enable the Company to meet future financial challenges and the Board and management are well positioned to continue to develop the business.

**PRINCIPAL RISKS AND UNCERTAINTIES**

In common with many businesses of our size, the business environment in which we operate continues to be challenging, both locally and nationally. There is well publicised uncertainty in the house building industry through political changes but the Company has continued to increase the number of its customers thereby diluting the risks involved in only dealing with a small number. New technologies continue to be introduced and we consider that the expertise that we have built up over recent years will enable the Company to meet these challenges.

**DEVELOPMENT AND PERFORMANCE**

The key financial performance indicators of turnover, gross margin and return on capital employed are used, in common with many similar businesses. Turnover has again increased substantially, this year by 32.2% to £21,049,907. The gross profit percentage has decreased by 2.4% to 15%. However, this has still resulted in a gross profit which is £380,106 higher than last years. As a result of the increased turnover, the overheads expressed as a percentage of sales have decreased to 8.8%,but have increased by £286,020. Overall, this has resulted in an increase in the operating profit to £1,288,197.

The Company continues to invest in the future through employing a number of new apprentices each year in conjunction with local colleges and the low level of staff turnover is representative of a settled workforce thus adding to the strength of the Company.

**ON BEHALF OF THE BOARD:**

Mrs K R Watts - Director

27 September 2018

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report with the financial statements of the company for the year ended 31 December 2017.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of plumbing and heating repair and installation.

**DIVIDENDS**

The total distribution of dividends for the year ended 31 December 2017 will be £600,000 (2016: £938,000).

**FUTURE DEVELOPMENTS**

The directors aim to maintain the existing management policies which have resulted in the company's present financial position and to ensure that management are well positioned to continue to develop the business.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Mr K A Watts  
Mrs K R Watts  
Mr N D N Staines  
Mr R P Jenkins

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 Financial Reporting Standard 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 judgements and accounting estimates that are reasonable and prudent;
- 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Langdowns DFK Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

Mrs K R Watts - Director

27 September 2018

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF K A WATTS PLUMBING & HEATING LIMITED**

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### **Opinion**

We have audited the financial statements of K A Watts Plumbing & Heating Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
K A WATTS PLUMBING & HEATING LIMITED**

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**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.

Graham Taylor (Senior Statutory Auditor)  
for and on behalf of Langdowns DFK Limited  
Statutory Auditor  
Fleming Court  
Leigh Road  
Eastleigh  
Southampton  
Hampshire  
SO50 9PD

27 September 2018

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>TURNOVER</b>	4	<b>21,049,907</b>	15,917,991
Cost of sales		<u>17,900,568</u>	<u>13,148,758</u>
<b>GROSS PROFIT</b>		<b>3,149,339</b>	2,769,233
Administrative expenses		<u>1,861,142</u>	<u>1,575,122</u>
<b>OPERATING PROFIT</b>	6	<b>1,288,197</b>	1,194,111
Interest receivable and similar income		<u>972</u>	<u>747</u>
		<b>1,289,169</b>	1,194,858
Interest payable and similar expenses	7	<u>5,788</u>	<u>2,003</u>
<b>PROFIT BEFORE TAXATION</b>		<b>1,283,381</b>	1,192,855
Tax on profit	8	<u>265,809</u>	<u>253,923</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,017,572</b>	938,932
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,017,572</b>	938,932

**K A WATTS PLUMBING & HEATING LIMITED (REGISTERED NUMBER: 03891188)****BALANCE SHEET  
31 DECEMBER 2017**

	Notes	2017		2016	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	10		-		-
Tangible assets	11		<u>331,630</u>		<u>259,050</u>
			<b>331,630</b>		<b>259,050</b>
<b>CURRENT ASSETS</b>					
Stocks	12	<b>120,761</b>		182,282	
Debtors	13	<b>3,759,986</b>		4,119,105	
Cash at bank		<u>885,891</u>		<u>830,214</u>	
		<b>4,766,638</b>		<b>5,131,601</b>	
<b>CREDITORS</b>					
Amounts falling due within one year	14	<u>2,366,621</u>		<u>3,109,658</u>	
<b>NET CURRENT ASSETS</b>			<u>2,400,017</u>		<u>2,021,943</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>2,731,647</b>		<b>2,280,993</b>
<b>CREDITORS</b>					
Amounts falling due after more than one year	15		<b>(67,436)</b>		<b>(49,428)</b>
<b>PROVISIONS FOR LIABILITIES</b>	19		<u><b>(49,743)</b></u>		<u><b>(34,669)</b></u>
<b>NET ASSETS</b>			<u><b>2,614,468</b></u>		<u><b>2,196,896</b></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		<b>1,000</b>		<b>1,000</b>
Retained earnings	21		<u><b>2,613,468</b></u>		<u><b>2,195,896</b></u>
<b>SHAREHOLDERS' FUNDS</b>			<u><b>2,614,468</b></u>		<u><b>2,196,896</b></u>

The financial statements were approved by the Board of Directors on 27 September 2018 and were signed on its behalf by:

Mr K A Watts - Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2016</b>	1,000	2,194,964	2,195,964
<b>Changes in equity</b>			
Dividends	-	(938,000)	(938,000)
Total comprehensive income	-	938,932	938,932
<b>Balance at 31 December 2016</b>	<u>1,000</u>	<u>2,195,896</u>	<u>2,196,896</u>
<b>Changes in equity</b>			
Dividends	-	(600,000)	(600,000)
Total comprehensive income	-	1,017,572	1,017,572
<b>Balance at 31 December 2017</b>	<u>1,000</u>	<u>2,613,468</u>	<u>2,614,468</u>

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017	2016
	Notes	£	£
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,384,238	304,307
Interest element of hire purchase payments paid		(5,788)	(2,003)
Tax paid		(241,094)	(187,914)
Net cash from operating activities		<u>1,137,356</u>	<u>114,390</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(55,569)	(34,857)
Sale of tangible fixed assets		11,418	100
Interest received		972	747
Net cash from investing activities		<u>(43,179)</u>	<u>(34,010)</u>
<b>Cash flows from financing activities</b>			
Capital repayments in year		(99,985)	(51,160)
(Outflow)/Inflow from other loans		(338,515)	(37,306)
Equity dividends paid		(600,000)	(938,000)
Net cash from financing activities		<u>(1,038,500)</u>	<u>(1,026,466)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>55,677</u>	<u>(946,086)</u>
<b>Cash and cash equivalents at beginning of year</b>	2	830,214	1,776,300
<b>Cash and cash equivalents at end of year</b>	2	<u>885,891</u>	<u>830,214</u>

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	£	£
Profit before taxation	1,283,381	1,192,855
Depreciation charges	86,472	59,511
Loss on disposal of fixed assets	32,834	4,115
Finance costs	5,788	2,003
Finance income	(972)	(747)
	<u>1,407,503</u>	<u>1,257,737</u>
Decrease/(increase) in stocks	61,521	(12,817)
Decrease/(increase) in trade and other debtors	500,239	(1,790,634)
(Decrease)/increase in trade and other creditors	(585,025)	850,021
<b>Cash generated from operations</b>	<u><b>1,384,238</b></u>	<u><b>304,307</b></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2017**

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>885,891</u>	<u>830,214</u>

**Year ended 31 December 2016**

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	<u>830,214</u>	<u>1,776,300</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. STATUTORY INFORMATION**

K A Watts Plumbing & Heating Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The company's principal place of business is Unit 9, M3 Trade Park, Manor Way, Eastleigh, Hampshire, SO50 9YA.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

**3. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention.

**Significant judgements and estimates**

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and the underlying 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 company receives revenue through contracts that span over a period of time and over the year end. The company has a policy to review each contract at the year end to determine level of completion and profitability. Using actual and forecast information the company is able to determine the level of revenue to include for each contract at the year end. Some of the contracts are carried out over a long period of time and therefore management have to use their skills and knowledge of the industry to make the judgements and estimates on each contract.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

When the outcome of a long-term contract can be estimated reliably, contract costs and turnover are recognised by reference to the stage of completion at the balance sheet date.

Where the outcome cannot be measured reliably, contract costs are recognised as an expense in the period in which they are incurred and contract turnover is recognised to the extent of costs incurred that it is probable will be recoverable.

When it is probable that contract costs will exceed the total contract turnover, the expected loss is recognised as an expense immediately, with a corresponding provision.

**Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business, is amortised at rates calculated to write off the asset on a straight basis over its estimated useful economic life. Impairment of goodwill is reviewed where circumstances indicate that the carrying value may not be fully recoverable.

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

3. **ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Office equipment	- 15% straight line

All fixed assets are initially recorded at cost.

**Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. ACCOUNTING POLICIES - continued**

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Debtors and creditors receivable / payable within one year**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income.

**Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made.

**4. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2017 £	2016 £
Rendering of services	<u>21,049,907</u>	<u>15,917,991</u>
	<u>21,049,907</u>	<u>15,917,991</u>

Turnover, consists entirely of revenues arising from one class of business in the United Kingdom.

**5. EMPLOYEES AND DIRECTORS**

	2017 £	2016 £
Wages and salaries	2,185,579	1,708,582
Social security costs	210,534	167,821
Other pension costs	14,376	12,442
	<u>2,410,489</u>	<u>1,888,845</u>

The average number of employees during the year was as follows:

	2017	2016
Direct	51	44
Admin	15	13
	<u>66</u>	<u>57</u>

The key management personnel of the company are considered to be the directors.

	2017 £	2016 £
Directors' remuneration	383,802	348,101
Directors' pension contributions to money purchase schemes	<u>766</u>	<u>-</u>

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

Money purchase schemes	<u>4</u>	<u>2</u>
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**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**5. EMPLOYEES AND DIRECTORS - continued**

Information regarding the highest paid director is as follows:

	2017	2016
	£	£
Emoluments etc	133,590	117,514
Pension contributions to money purchase schemes	<u>384</u>	<u>-</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation - owned assets	26,941	33,924
Depreciation - assets on hire purchase contracts	59,531	25,587
Loss on disposal of fixed assets	32,834	4,115
Auditors' remuneration	6,170	6,000
Operating lease costs - land & buildings	<u>37,500</u>	<u>35,000</u>

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£	£
Hire purchase	<u>5,788</u>	<u>2,003</u>

**8. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2017	2016
	£	£
Current tax:		
UK corporation tax	250,735	241,074
Over/under provision	-	95
Total current tax	<u>250,735</u>	<u>241,169</u>
Deferred tax	15,074	12,754
Tax on profit	<u>265,809</u>	<u>253,923</u>

UK corporation tax has been charged at 19.25% (2016 - 20%).

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017****8. TAXATION - continued****Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Profit before tax	<u>1,283,381</u>	<u>1,192,855</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.247% (2016 - 20%)	247,012	238,571
Effects of:		
Expenses not deductible for tax purposes	20,718	19,360
Capital allowances in excess of depreciation	(17,010)	(17,072)
Adjustments to tax charge in respect of previous periods	-	95
Deferred tax movement	15,074	12,754
Other temporary timing differences	15	215
Total tax charge	<u>265,809</u>	<u>253,923</u>

During the accounting period ended 31 December 2012 and 31 December 2013, the company, in order to motivate and incentivise its officers and employees, made contributions to an employer financed retirement benefit scheme established for the benefit of the Company's officers, employees and their wider families, The K A Watts Plumbing & Heating Limited 2012 EFRBS ("the Scheme").

Contributions made to the Scheme during those periods amounted to £1M and, because the value is held on terms that are discretionary, and as no earmarking had yet taken place in respect of the amounts, it was not considered that this amount can be regarded as directors remuneration and, therefore, it was excluded from the directors emoluments at that time, albeit fully disclosed in the Company's accounts and Returns to HM Revenue and Customs (HMRC).

HMRC have undertaken an enquiry into the Scheme, as it is their belief that these contributions do meet the criteria for directors emoluments. HMRC issued the Company with a notice to pay £585,012 in respect of an Advanced Payment Notice (APN), representing their estimate of the disputed tax under this Scheme, which the Company duly paid.

Since the year end, the Company and HMRC have agreed settlement terms on this Scheme, and therefore the final amounts agreed as personal tax liabilities will be repaid to the Company by the directors (with the related Employers National Insurance cost being paid by the Company).

**9. DIVIDENDS**

	2017 £	2016 £
Interim	<u>600,000</u>	<u>938,000</u>
Dividends proposed after the year end (not recognised as a liability)	2017 £	2016 £
Equity dividends on Ordinary shares	<u>400,000</u>	<u>400,000</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**10. INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b>
	<b>£</b>
<b>COST</b>	
At 1 January 2017 and 31 December 2017	<u>100,000</u>
<b>AMORTISATION</b>	
At 1 January 2017 and 31 December 2017	<u>100,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>-</u>

During the year ended 31st December 2010, the directors assessed Goodwill to be fully impaired and the carrying value of Goodwill was reduced to £Nil as a result of this impairment.

**11. TANGIBLE FIXED ASSETS**

	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Totals</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>COST</b>				
At 1 January 2017	15,779	466,652	84,319	566,750
Additions	-	175,985	27,319	203,304
Disposals	-	(58,598)	-	(58,598)
At 31 December 2017	<u>15,779</u>	<u>584,039</u>	<u>111,638</u>	<u>711,456</u>
<b>DEPRECIATION</b>				
At 1 January 2017	13,066	253,543	41,091	307,700
Charge for year	678	74,902	10,892	86,472
Eliminated on disposal	-	(14,346)	-	(14,346)
At 31 December 2017	<u>13,744</u>	<u>314,099</u>	<u>51,983</u>	<u>379,826</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>2,035</u>	<u>269,940</u>	<u>59,655</u>	<u>331,630</u>
At 31 December 2016	<u>2,713</u>	<u>213,109</u>	<u>43,228</u>	<u>259,050</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**11. TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	<b>Motor vehicles £</b>
<b>COST</b>	
At 1 January 2017	<b>167,373</b>
Additions	<b>147,735</b>
At 31 December 2017	<b><u>315,108</u></b>
<b>DEPRECIATION</b>	
At 1 January 2017	<b>35,289</b>
Charge for year	<b>59,531</b>
At 31 December 2017	<b><u>94,820</u></b>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<b><u>220,288</u></b>
At 31 December 2016	<b><u>132,084</u></b>

**12. STOCKS**

	<b>2017 £</b>	<b>2016 £</b>
Stocks	<b>34,056</b>	16,699
Work-in-progress	<b>86,705</b>	165,583
	<b><u>120,761</u></b>	<b><u>182,282</u></b>

**13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017 £</b>	<b>2016 £</b>
Trade debtors	<b>2,530,174</b>	3,506,372
Other debtors	<b>759,685</b>	158,991
Directors' current accounts	<b>141,120</b>	-
VAT	<b>221,776</b>	339,905
Prepayments and accrued income	<b>107,231</b>	113,837
	<b><u>3,759,986</u></b>	<b><u>4,119,105</u></b>

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017 £</b>	<b>2016 £</b>
Hire purchase contracts (see note 16)	<b>70,244</b>	40,502
Payments on account	<b>116,514</b>	-
Trade creditors	<b>1,415,953</b>	1,970,076
Corporation Tax	<b>250,715</b>	241,074
Social security and other taxes	<b>106,796</b>	96,498
Other creditors	<b>138,744</b>	32,102
Directors' current accounts	<b>-</b>	197,395
Accruals and deferred income	<b>267,655</b>	532,011
	<b><u>2,366,621</u></b>	<b><u>3,109,658</u></b>

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

15.	<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
		<b>2017</b>	<b>2016</b>
		£	£
	Hire purchase contracts (see note 16)	<u><b>67,436</b></u>	<u><b>49,428</b></u>

16. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	<b>Hire purchase contracts</b>	
	<b>2017</b>	<b>2016</b>
	£	£
Net obligations repayable:		
Within one year	<b>70,244</b>	40,502
Between one and five years	<u><b>67,436</b></u>	<u>49,428</u>
	<u><b>137,680</b></u>	<u><b>89,930</b></u>

	<b>Non-cancellable operating leases</b>	
	<b>2017</b>	<b>2016</b>
	£	£
Within one year	<u>-</u>	<u>11,666</u>

17. **SECURED DEBTS**

The following secured debts are included within creditors:

	<b>2017</b>	<b>2016</b>
	£	£
Hire purchase contracts	<u><b>137,680</b></u>	<u><b>89,930</b></u>

Hire purchase contracts are secured over the fixed asset acquired. The company's bank has a debenture with the company.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**18. FINANCIAL INSTRUMENTS**

The carrying amounts of the company's financial instruments are as follows:

	2017 £	2016 £
<b>Financial assets</b>		
Debt instruments measured at amortised cost or transaction price:		
- Trade debtors	2,530,174	3,506,372
- Other debtors (including amounts relating to taxation, other loans and prepayments and accrued income)	<u>1,229,812</u>	<u>612,733</u>
	<u><b>3,759,986</b></u>	<u><b>4,119,105</b></u>
<b>Financial liabilities</b>		
Measured at amortised cost or transaction price:		
- Trade creditors	1,415,953	1,970,076
- Hire purchase contracts	137,680	89,930
- Payments on account	116,514	-
- Other creditors (including amounts relating to other loans, taxation and social security and accruals and deferred income)	<u>763,910</u>	<u>1,099,080</u>
	<u><b>2,434,057</b></u>	<u><b>3,159,086</b></u>

**19. PROVISIONS FOR LIABILITIES**

	2017 £	2016 £
Deferred tax		
Accelerated capital allowances	<u>49,743</u>	<u>34,669</u>
		<b>Deferred tax</b>
		<b>£</b>
Balance at 1 January 2017		<b>34,669</b>
Movement in the year		<b>15,074</b>
Balance at 31 December 2017		<u><b>49,743</b></u>

**20. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2017	2016
Number:	Class:	Nominal value:	£	£
1,000	Ordinary	£1	<u><b>1,000</b></u>	<u><b>1,000</b></u>

Ordinary shares carry the right to one vote per share and are entitled pari passu to dividend and other distributions.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017****21. RESERVES**

	Retained earnings £
At 1 January 2017	2,195,896
Profit for the year	1,017,572
Dividends	(600,000)
At 31 December 2017	<u>2,613,468</u>

**22. PENSION COMMITMENTS**

During the year the company made pension contributions to money purchase pensions schemes totalling £14,376 (2016: £12,442). There was £1,595 of pension contributions outstanding at the year end (2016: £1,516).

**23. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES**

The following advances and credits to directors subsisted during the years ended 31 December 2017 and 31 December 2016:

	2017 £	2016 £
<b>Mr K A Watts and Mrs K R Watts</b>		
Balance outstanding at start of year	-	-
Amounts advanced	393,322	71,963
Amounts repaid	(252,202)	(71,963)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>141,120</u>	<u>-</u>
<b>Mr N D N Staines</b>		
Balance outstanding at start of year	3,671	-
Amounts advanced	17,401	3,671
Amounts repaid	(21,072)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>3,671</u>
<b>Mr R P Jenkins</b>		
Balance outstanding at start of year	5,000	-
Amounts advanced	13,500	5,000
Amounts repaid	(18,500)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>5,000</u>

The loans to directors were unsecured with interest paid on overdrawn balances at HM Revenue & Customs approved rates. The balance outstanding at the year end was repaid to the company subsequent to the year end.

**24. RELATED PARTY DISCLOSURES**

During the year, total dividends of £600,000 (2016 - £938,000) were paid to the directors .

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017****24. RELATED PARTY DISCLOSURES - continued**

The company was under the control of Mr K A Watts and Mrs K R Watts throughout the current and previous period, by virtue of the fact that between them they own all of the ordinary share capital of the company.

The following loans with directors subsisted during the years ended 31 December 2017 and 31 December 2016:

**Mr K A Watts and Mrs K R Watts**

	2017	2016
	£	£
Balance owed to / (from) directors at start of year	197,395	234,701
Monies introduced	705,929	1,225,757
Monies withdrawn	(1,044,444)	(1,263,063)
Balance owed to / (from) directors at end of year	<u>(141,120)</u>	<u>197,395</u>

**Mr N D N Staines**

	2017	2016
	£	£
Balance owed to / (from) director at start of year	(3,671)	-
Monies introduced	26,637	-
Monies withdrawn	(22,966)	(3,671)
Balance owed to / (from) director at end of year	<u>-</u>	<u>(3,671)</u>

**Mr R P Jenkins**

	2017	2016
	£	£
Balance owed to / (from) director at start of year	(5,000)	-
Monies introduced	19,513	-
Monies withdrawn	(14,513)	(5,000)
Balance owed to / (from) director at end of year	<u>-</u>	<u>(5,000)</u>

The loans were unsecured with interest paid on overdrawn balances at HM Revenue & Customs approved rates. The balances outstanding at the year end were repaid to the company subsequent to the year end.

**Key management personnel of the entity or its parent (in the aggregate)**

	2017	2016
	£	£
Sale of fixed assets to key management personnel	2,418	-
Amount due from related party	141,120	8,671
Amount due to related party	<u>-</u>	<u>197,395</u>

**Other related parties**

	2017	2016
	£	£
Rent charged by related party	37,500	35,000
Amount due to related party	<u>3,000</u>	<u>-</u>

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