

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
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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FOR THE YEAR ENDED 31 DECEMBER 2016

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K A WATTS PLUMBING & HEATING LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

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

SECRETARY: Mrs K R Watts

REGISTERED OFFICE: Fleming Court
Leigh Road
Eastleigh
Southampton
Hampshire
SO50 9PD

BUSINESS ADDRESS: Unit 9
M3 Trade Park
Manor Way
Eastleigh
Hampshire
SO50 9YA

REGISTERED NUMBER: 03891188 (England and Wales)

SENIOR STATUTORY AUDITOR: Graham Taylor

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

BANKERS: Barclays
Old Corn Exchange
Market Place
Romsey
Hampshire
SO51 8YA

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the year ended 31 December 2016.

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 reasonable level of profitability has been achieved. The Company has also increased the geographical spread of operations to include sites in the southern and western M25 corridor which are still able to be administered from its head office.

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 increased substantially by 30.3% to £15,917,991. The gross profit percentage has remained around 17% and this has resulted in a gross profit which is £590,668 higher than last years. Overheads have remained at a level consistent with last year at around 10% of sales. Overall, this has resulted in an increase in the operating profit to £1,198,226.

The Company continues to invest in the future through employing several 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

Date: 21 SEPTEMBER 2017

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

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 2016 will be £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 2016 to the date of this report.

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

Other changes in directors holding office are as follows:

Mr R P Jenkins - appointed 8 February 2016

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.

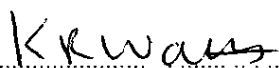
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

Date: 2. SEPTEMBER 2017

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

We have audited the financial statements of K A Watts Plumbing & Heating Limited for the year ended 31 December 2016 on pages six to nineteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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.

Respective responsibilities of directors and auditors

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. 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', 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 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

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

Matters on which we are required to report by exception

In the light of our 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

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

Date. 21st September 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
TURNOVER	4	15,917,991	12,208,951
Cost of sales		<u>13,148,758</u>	<u>10,030,386</u>
GROSS PROFIT		2,769,233	2,178,565
Administrative expenses		<u>1,571,007</u>	<u>1,274,010</u>
OPERATING PROFIT	6	1,198,226	904,555
Profit/loss on sale of tangible fixed assets	7	<u>4,115</u>	<u>1,851</u>
		1,194,111	902,704
Interest receivable and similar income		<u>747</u>	<u>937</u>
		1,194,858	903,641
Interest payable and similar expenses	8	<u>2,003</u>	<u>1,736</u>
PROFIT BEFORE TAXATION		1,192,855	901,905
Tax on profit	9	<u>253,923</u>	<u>203,351</u>
PROFIT FOR THE FINANCIAL YEAR		938,932	698,554
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>938,932</u>	<u>698,554</u>

**BALANCE SHEET
31 DECEMBER 2016**

	Notes	2016		2015	
		£	£	£	£
FIXED ASSETS					
Intangible assets	11		-		-
Tangible assets	12		<u>259,050</u>		<u>184,276</u>
			259,050		184,276
CURRENT ASSETS					
Stocks	13	182,282		169,465	
Debtors	14	4,119,105		2,328,471	
Cash at bank		<u>830,214</u>		<u>1,776,300</u>	
		5,131,601		4,274,236	
CREDITORS					
Amounts falling due within one year	15	<u>3,109,658</u>		<u>2,218,409</u>	
NET CURRENT ASSETS			2,021,943		2,055,827
TOTAL ASSETS LESS CURRENT LIABILITIES					
			2,280,993		2,240,103
CREDITORS					
Amounts falling due after more than one year	16		(49,428)		(22,224)
PROVISIONS FOR LIABILITIES	20		<u>(34,669)</u>		<u>(21,915)</u>
NET ASSETS			2,196,896		2,195,964
CAPITAL AND RESERVES					
Called up share capital	21		1,000		1,000
Retained earnings	22		<u>2,195,896</u>		<u>2,194,964</u>
SHAREHOLDERS' FUNDS			2,196,896		2,195,964

The financial statements were approved by the Board of Directors on 21 SEPTEMBER 2017 and were signed on its behalf by:


.....
Mr K A Watts - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2015	1,000	2,066,410	2,067,410
Changes in equity			
Dividends	-	(570,000)	(570,000)
Total comprehensive income	-	698,554	698,554
Balance at 31 December 2015	<u>1,000</u>	<u>2,194,964</u>	<u>2,195,964</u>
Changes in equity			
Dividends	-	(938,000)	(938,000)
Total comprehensive income	-	938,932	938,932
Balance at 31 December 2016	<u>1,000</u>	<u>2,195,896</u>	<u>2,196,896</u>

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	304,307	1,602,957
Interest element of hire purchase payments paid		(2,003)	(1,736)
Tax paid		(187,914)	(206,684)
Net cash from operating activities		114,390	1,394,537
Cash flows from investing activities			
Purchase of tangible fixed assets		(34,857)	(65,608)
Sale of tangible fixed assets		100	1,070
Interest received		747	937
Net cash from investing activities		(34,010)	(63,601)
Cash flows from financing activities			
Capital repayments in year		(51,160)	(12,465)
(Outflow)/Inflow from other loans		(37,306)	152,544
Equity dividends paid		(938,000)	(570,000)
Net cash from financing activities		(1,026,466)	(429,921)
(Decrease)/increase in cash and cash equivalents		(946,086)	901,015
Cash and cash equivalents at beginning of year	2	1,776,300	875,285
Cash and cash equivalents at end of year	2	830,214	1,776,300

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016	2015
	£	£
Profit before taxation	1,192,855	901,905
Depreciation charges	59,511	42,594
Loss on disposal of fixed assets	4,115	1,851
Finance costs	2,003	1,736
Finance income	(747)	(937)
	<u>1,257,737</u>	<u>947,149</u>
Increase in stocks	(12,817)	(37,646)
(Increase)/decrease in trade and other debtors	(1,790,634)	224,721
Increase in trade and other creditors	850,021	468,733
	<u>304,307</u>	<u>1,602,957</u>
Cash generated from operations	<u>304,307</u>	<u>1,602,957</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 2016

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

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	<u>1,776,300</u>	<u>875,285</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax, amended for uninvoiced sales at the year-end.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES - continued

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 represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. 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.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

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 the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding. 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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. EMPLOYEES AND DIRECTORS

	2016 £	2015 £
Wages and salaries	1,708,582	1,582,431
Social security costs	167,821	161,362
Other pension costs	12,442	23,818
	<u>1,888,845</u>	<u>1,767,611</u>

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

	2016	2015
Direct	44	37
Admin	13	13
	<u>57</u>	<u>50</u>

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

	2016 £	2015 £
Directors' remuneration	348,101	234,741
Directors' pension contributions to money purchase schemes	-	16,600
	<u>-</u>	<u>16,600</u>

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

Money purchase schemes	<u>2</u>	<u>2</u>
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Information regarding the highest paid director is as follows.

	2016 £	2015 £
Emoluments etc	<u>117,514</u>	<u>116,530</u>

6. OPERATING PROFIT

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation - owned assets	33,924	30,553
Depreciation - assets on hire purchase contracts	25,587	12,041
Auditors' remuneration	6,000	5,800
Operating lease costs - land & buildings	<u>35,000</u>	<u>35,000</u>

7. EXCEPTIONAL ITEMS

	2016 £	2015 £
Profit/loss on sale of tangible fixed assets	<u>(4,115)</u>	<u>(1,851)</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 £	2015 £
Hire purchase	<u>2,003</u>	<u>1,736</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. TAXATION

Analysis of the tax charge

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

	2016 £	2015 £
Current tax:		
UK corporation tax	241,074	187,819
Over/under provision	95	-
Total current tax	<u>241,169</u>	<u>187,819</u>
Deferred tax	12,754	15,532
Tax on profit	<u>253,923</u>	<u>203,351</u>

UK corporation tax has been charged at 20% (2015 - 20.21%).

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:

	2016 £	2015 £
Profit before tax	<u>1,192,855</u>	<u>901,905</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.208%)	238,571	182,257
Effects of:		
Expenses not deductible for tax purposes	19,360	16,806
Capital allowances in excess of depreciation	(17,072)	(11,244)
Adjustments to tax charge in respect of previous periods	95	-
Deferred tax movement	12,754	15,532
Other temporary timing differences	215	-
Total tax charge	<u>253,923</u>	<u>203,351</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, but no resolution has yet been reached under this enquiry. HMRC have issued the Company with notices to pay totalling £585,012 in respect of an Advanced Payment Notice (APN), representing their estimate of the disputed tax under this Scheme. The Company paid this amount to HMRC subsequent to the year end.

The directors still believe the Scheme was properly implemented and disclosed to HMRC at the time, and therefore believe HMRC will ultimately lose their challenge under this enquiry when it is eventually concluded. Subsequent to the year end the Company has treated this amount as a taxation debtor under the belief it will be refunded once the enquiry is concluded.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. DIVIDENDS

	2016	2015
	£	£
Interim	938,000	570,000
Dividends proposed after the year end (not recognised as a liability)	2016	2015
	£	£
Equity dividends on Ordinary shares	400,000	500,000

11. INTANGIBLE FIXED ASSETS

	Goodwill
	£
COST	
At 1 January 2016 and 31 December 2016	100,000
AMORTISATION	
At 1 January 2016 and 31 December 2016	100,000
NET BOOK VALUE	
At 31 December 2016	-
At 31 December 2015	-

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.

12. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
COST				
At 1 January 2016	15,779	356,499	67,422	439,700
Additions	-	121,603	16,897	138,500
Disposals	-	(11,450)	-	(11,450)
At 31 December 2016	15,779	466,652	84,319	566,750
DEPRECIATION				
At 1 January 2016	12,161	211,422	31,841	255,424
Charge for year	905	49,356	9,250	59,511
Eliminated on disposal	-	(7,235)	-	(7,235)
At 31 December 2016	13,066	253,543	41,091	307,700
NET BOOK VALUE				
At 31 December 2016	2,713	213,109	43,228	259,050
At 31 December 2015	3,618	145,077	35,581	184,276

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. TANGIBLE FIXED ASSETS - continued

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

	Motor vehicles £
COST	
At 1 January 2016	63,730
Additions	103,643
	<hr/>
At 31 December 2016	167,373
	<hr/>
DEPRECIATION	
At 1 January 2016	9,702
Charge for year	25,587
	<hr/>
At 31 December 2016	35,289
	<hr/>
NET BOOK VALUE	
At 31 December 2016	132,084
	<hr/>
At 31 December 2015	54,028
	<hr/> <hr/>

13. STOCKS

	2016 £	2015 £
Stocks	16,699	16,699
Work-in-progress	165,583	152,766
	<hr/>	<hr/>
	182,282	169,465
	<hr/> <hr/>	<hr/> <hr/>

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade debtors	3,506,372	1,991,492
Other debtors	158,991	144,139
VAT	339,905	92,146
Prepayments and accrued income	113,837	100,694
	<hr/>	<hr/>
	4,119,105	2,328,471
	<hr/> <hr/>	<hr/> <hr/>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Hire purchase contracts (see note 17)	40,502	15,223
Trade creditors	1,970,076	1,051,116
Corporation Tax	241,074	187,819
Social security and other taxes	96,498	77,340
Other creditors	32,102	100,922
Directors' current accounts	197,395	234,701
Accruals and deferred income	532,011	551,288
	<hr/>	<hr/>
	3,109,658	2,218,409
	<hr/> <hr/>	<hr/> <hr/>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £	2015 £
Hire purchase contracts (see note 17)	49,428	22,224
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

17 LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2016	2015
	£	£
Net obligations repayable:		
Within one year	40,502	15,223
Between one and five years	49,428	22,224
	<u>89,930</u>	<u>37,447</u>
	Non-cancellable operating leases	
	2016	2015
	£	£
Within one year	11,666	35,000
Between one and five years	-	11,666
	<u>11,666</u>	<u>46,666</u>

18 SECURED DEBTS

The following secured debts are included within creditors:

	2016	2015
	£	£
Hire purchase contracts	89,930	37,447

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

19. FINANCIAL INSTRUMENTS

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

	2016	2015
	£	£
Financial assets		
Debt instruments measured at amortised cost or transaction price.		
- Trade debtors	3,506,372	1,991,492
- Other debtors (including amounts relating to taxation and prepayments and accrued income)	612,733	336,979
	<u>4,119,105</u>	<u>2,328,471</u>
Financial liabilities		
Measured at amortised cost or transaction price:		
- Trade creditors	1,970,076	1,051,116
- Hire purchase contracts	89,930	37,447
- Other creditors (including amounts relating to other loans, taxation and social security and accruals and deferred income)	1,099,080	1,152,070
	<u>3,159,086</u>	<u>2,240,633</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. PROVISIONS FOR LIABILITIES

	2016 £	2015 £
Deferred tax		
Accelerated capital allowances	<u>34,669</u>	<u>21,915</u>
		Deferred tax
		£
Balance at 1 January 2016		21,915
Movement in the year		<u>12,754</u>
Balance at 31 December 2016		<u><u>34,669</u></u>

21. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid.			2016	2015
Number:	Class.	Nominal value:	£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

22. RESERVES

	Retained earnings £
At 1 January 2016	2,194,964
Profit for the year	938,932
Dividends	(938,000)
At 31 December 2016	<u><u>2,195,896</u></u>

23. PENSION COMMITMENTS

During the year the company made pension contributions to money purchase pensions schemes totalling £12,442 (2015: £23,818). There was £1,516 of pension contributions outstanding at the year end (2015: £478).

24. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 December 2016 and 31 December 2015:

	2016 £	2015 £
Mr K A Watts and Mrs K R Watts		
Balance outstanding at start of year	-	-
Amounts advanced	71,963	-
Amounts repaid	(71,963)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES - continued

Mr N D N Staines

Balance outstanding at start of year	-	-
Amounts advanced	3,671	-
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>3,671</u>	<u>-</u>

Mr R P Jenkins

Balance outstanding at start of year	-	-
Amounts advanced	5,000	-
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>5,000</u>	<u>-</u>

The loans to directors were unsecured and interest free. The balances outstanding at the year end for Mr N D N Staines and Mr R P Jenkins were repaid to the company subsequent to the year end.

25. RELATED PARTY DISCLOSURES

During the year, total dividends of £938,000 (2015 - £570,000) were paid to the directors.

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 loan from directors subsisted during the years ended 31 December 2016 and 31 December 2015:

Mr K A Watts and Mrs K R Watts

	2016	2015
	£	£
Balance owed to directors at start of year	234,701	82,157
Monies introduced	1,225,757	842,897
Monies withdrawn	(1,263,063)	(690,353)
Balance owed to directors at end of year	<u>197,395</u>	<u>234,701</u>

This loan was unsecured and interest free, with the repayment date unspecified.

Other related parties

	2016	2015
	£	£
Rent charged by related party	<u>35,000</u>	<u>35,000</u>