

**Schaltbau Machine Electrics Limited**

**Directors' report and financial  
statements**

Registered number 06606708

31 December 2016

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## **Directors' report**

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

### **Principal activities**

The principal activities of the Company include the manufacture, repair and distribution of electrical components for use in a broad spread of industries.

### **Business review**

The results for the year are set out in the Profit and Loss Account on page 6.

Although the Company continues to operate in a difficult trading environment a positive earnings before interest and tax (e.b.i.t.) was achieved for 2016, the first time since the Company was acquired by the Schaltbau Group. The directors consider that the indicated support from Schaltbau GmbH and its planned revenues and profits should enable the Company to continue in operational existence for the foreseeable future.

### **Research and development**

No significant research and development was conducted during the year. This is mainly conducted by the immediate parent Schaltbau GmbH.

### **Proposed dividend**

The directors do not recommend the payment of a dividend. (2015: £nil)

### **Directors**

The directors who held office during the year were as follows:

DR A Schmid - Resigned 22/11/2016  
Mr R Phillips  
Mr T Fox  
Mr D Konrad

### **Political contributions**

The Company made no political donations or incurred any political expenditure 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## **Directors' report** *(continued)*

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP replaced KPMG LLP during the year as auditors.

By order of the board



**T Fox**  
Director

335-336 Springvale Industrial Estate, Woodside Road  
Cwmbran NP44 5BR

**27** February 2016

## **Statement of directors' responsibilities in respect of the 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 101 *Reduced Disclosure Framework*.

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 auditors' report to the members of Schaltbau Machine Electrics Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Schaltbau Machine Electrics Limited's financial statements (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; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

### **What we have audited**

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' report. We have nothing to report in this respect.

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## **Other matters on which we are required to report by exception**

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### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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## **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### **What an audit of financial statements involves**

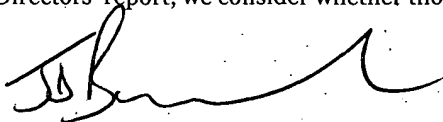
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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. With respect to the Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jonathan Bound (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff

27 February 2017

## Profit and Loss Account

*for year ended 31 December 2016*

|                                                                  | <i>Note</i> | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
|------------------------------------------------------------------|-------------|----------------------|----------------------|
| <b>Turnover</b>                                                  | <b>2</b>    | <b>5,113</b>         | <b>4,859</b>         |
| Cost of sales                                                    |             | (3,137)              | (2,971)              |
| <b>Gross profit</b>                                              |             | <b>1,976</b>         | <b>1,888</b>         |
| Administrative expenses                                          |             | (1,922)              | (1,947)              |
| <b>Operating profit / (Loss)</b>                                 | <b>3</b>    | <b>54</b>            | <b>(59)</b>          |
| Interest payable and similar charges                             | <b>6</b>    | (8)                  | (13)                 |
| <b>Profit /(loss) on ordinary activities before<br/>taxation</b> |             | <b>46</b>            | <b>(72)</b>          |
| Tax on profit / (loss) on ordinary activities                    | <b>7</b>    | <b>149</b>           | <b>-</b>             |
| <b>Profit / (loss) for the financial year</b>                    |             | <b>195</b>           | <b>(72)</b>          |

There is no other comprehensive income or losses in either year; the result for the financial year represents total comprehensive profit for the year.

The notes on pages 9 to 21 form an integral part of these financial statements.

## Balance Sheet

*at 31 December 2016*

|                                                               | <i>Note</i> | <b>2016</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> |
|---------------------------------------------------------------|-------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Fixed assets</b>                                           |             |                            |                            |                            |                            |
| Tangible assets                                               | 8           |                            | 219                        |                            | 227                        |
| <b>Current assets</b>                                         |             |                            |                            |                            |                            |
| Stocks                                                        | 10          | 854                        |                            | 980                        |                            |
| Debtors                                                       | 11          | 895                        |                            | 661                        |                            |
| Cash at bank and in hand                                      |             | 251                        |                            | 310                        |                            |
|                                                               |             | <u>2,000</u>               |                            | <u>1,951</u>               |                            |
| <b>Creditors: amounts falling due within one year</b>         | 12          | <u>(940)</u>               |                            | <u>(1,095)</u>             |                            |
| <b>Net current assets</b>                                     |             |                            | 1,060                      |                            | 856                        |
| <b>Total assets less current liabilities being net assets</b> |             |                            | <u>1,279</u>               |                            | <u>1,083</u>               |
| <b>Capital and reserves</b>                                   |             |                            |                            |                            |                            |
| Called up share capital                                       | 13          |                            | 590                        |                            | 590                        |
| Capital contribution reserve                                  | 13          |                            | 4,372                      |                            | 4,372                      |
| Profit and loss account                                       |             |                            | (3,683)                    |                            | (3,879)                    |
| <b>Shareholders' funds</b>                                    |             |                            | <u>1,279</u>               |                            | <u>1,083</u>               |

These financial statements were approved by the board of directors on 27 February 2017 and were signed on its behalf by:



**Trevor Fox**  
*Director*  
Company registered number: 06606708

The notes on pages 9 to 21 form an integral part of these financial statements.

## Statement of Changes in Equity

|                                                                         | <b>Called up<br/>Share<br/>capital<br/>£000</b> | <b>Capital<br/>contribution<br/>account<br/>£000</b> | <b>Profit and<br/>loss account<br/>£000</b> | <b>Total<br/>equity<br/>£000</b> |
|-------------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------------|---------------------------------------------|----------------------------------|
| Balance at 1 January 2015                                               | 590                                             | 4373                                                 | (3,807)                                     | 1,155                            |
| Loss for the financial year being total comprehensive loss for year     | -                                               | -                                                    | (72)                                        | (72)                             |
| <b>Balance at 31 December 2015</b>                                      | <b>590</b>                                      | <b>4,373</b>                                         | <b>(3,879)</b>                              | <b>(1,083)</b>                   |
| Profit for the financial year being total comprehensive income for year | -                                               | -                                                    | 195                                         | 195                              |
| <b>Balance at 31 December 2016</b>                                      | <b>590</b>                                      | <b>4,373</b>                                         | <b>(3,684)</b>                              | <b>(1,279)</b>                   |

The notes on pages 9 to 21 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Schaltbau Machine Electrics Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Schaltbau Holding AG includes the Company in its consolidated financial statements. The consolidated financial statements of Schaltbau Holding AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Hollerithstrasse 5, 81829, Munich.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned group companies;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;

As the consolidated financial statements of Schaltbau Holding AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the disclosures required by IFRS 7 Financial Instrument Disclosures, which have not been provided apart from those which are relevant for the financial instruments which are held at fair value.

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### 1.2 Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Schaltbau GmbH, the Company's immediate parent. Schaltbau GmbH has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

#### 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. Foreign exchange differences arising on translation are recognised in the profit and loss account. 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.

#### 1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less any impairment losses.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

## **Notes** *(continued)*

### **1**      **Accounting policies** *(continued)*

#### **1.5**      **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment    3 - 7 years
- fixtures and fittings    3 - 7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### **1.6**      **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Impairment excluding stocks, and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at historic cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.8 Employee benefits

##### *Defined contribution plans*

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 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.10 Turnover**

Turnover represents net sales of goods, excluding value added tax.

Turnover is recognised when substantially all of the risks and rewards of ownership have been transferred to the customer, generally being at the point at which goods are dispatched to customers.

#### **1.11 Expenses**

##### *Operating lease payments*

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

##### *Interest receivable and interest payable*

Interest payable and similar charges include interest payable and net foreign exchange losses on financing items that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

#### **1.12 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### **1.13 Accounting estimates and judgements**

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

## Notes (continued)

### 2 Turnover

|                        | 2016<br>£000 | 2015<br>£000 |
|------------------------|--------------|--------------|
| By geographical market |              |              |
| United Kingdom         | 1,668        | 1,494        |
| Rest of Europe         | 1,944        | 2,029        |
| Rest of World          | 1,501        | 1,336        |
|                        | <u>5,113</u> | <u>4,859</u> |

### 3 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

|                             | 2016<br>£000 | 2015<br>£000 |
|-----------------------------|--------------|--------------|
| Net exchange losses/(gains) | (14)         | 103          |

*Auditor's remuneration:*

|                                     | 2016<br>£000 | 2015<br>£000 |
|-------------------------------------|--------------|--------------|
| Audit of these financial statements | 15           | 14           |
| Taxation compliance services        | -            | 2            |

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

|                               | Number of employees |           |
|-------------------------------|---------------------|-----------|
|                               | 2016                | 2015      |
| Management and administration | 20                  | 19        |
| Production and sales          | 17                  | 19        |
|                               | <u>37</u>           | <u>38</u> |

The aggregate payroll costs of these persons were as follows:

|                                             | 2016<br>£000 | 2015<br>£000 |
|---------------------------------------------|--------------|--------------|
| Wages and salaries                          | 943          | 949          |
| Social security costs                       | 91           | 89           |
| Contributions to defined contribution plans | 33           | 23           |
|                                             | <u>1,067</u> | <u>1,061</u> |

**Notes (continued)**

**5 Directors' remuneration**

|                                                                  | 2016<br>£000 | 2015<br>£000 |
|------------------------------------------------------------------|--------------|--------------|
| Directors' emoluments                                            | 184          | 175          |
| Company contributions to Directors' money purchase pension plans | 11           | 11           |
|                                                                  | <u>195</u>   | <u>186</u>   |

Pension contributions were paid into personal pension plans for two (2015: two) directors during the year.

**6 Interest payable and similar charges**

|                                               | 2016<br>£000 | 2015<br>£000 |
|-----------------------------------------------|--------------|--------------|
| Interest payable on bank loans and overdrafts | 8            | 13           |
| Total interest payable and similar charges    | <u>8</u>     | <u>13</u>    |

**7 Taxation**

**Recognised in the profit and loss account**

|                                      | 2016<br>£000 | 2016<br>£000 | 2015<br>£000 | 2015<br>£000 |
|--------------------------------------|--------------|--------------|--------------|--------------|
| <i>UK corporation tax</i>            |              |              |              |              |
| Current tax on income for the year   | -            |              | -            |              |
| Current tax                          | <u>-</u>     | -            | <u>-</u>     | -            |
| <i>Deferred tax</i>                  |              |              |              |              |
| Deferred tax                         |              | (149)        |              | -            |
| Tax on profit on ordinary activities |              | <u>(149)</u> |              | <u>-</u>     |

**Notes** *(continued)*

**7 Taxation** *(continued)*

**Reconciliation of effective tax rate**

|                                                             | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> |
|-------------------------------------------------------------|----------------------------|----------------------------|
| Profit / (Loss) before tax                                  | 46                         | (72)                       |
|                                                             | <hr/>                      | <hr/>                      |
| Tax using the UK corporation tax rate of 20% (2015: 20.25%) | 9                          | (14)                       |
| Non-deductible expenses                                     | 2                          | -                          |
| Deferred tax on losses                                      | (160)                      | -                          |
| Losses carried forward                                      | -                          | 14                         |
|                                                             | <hr/>                      | <hr/>                      |
| Total tax credit                                            | (149)                      | -                          |
|                                                             | <hr/>                      | <hr/>                      |

The Company has estimated tax losses of £3,602,000 (2015: £3,739,000) available for carry forward against tax charges.

## Notes (continued)

### 8 Tangible fixed assets

|                                  | Plant and<br>machinery<br>£000 | Motor Vehicles<br>£000 | Total<br>£000 |
|----------------------------------|--------------------------------|------------------------|---------------|
| <b>Cost</b>                      |                                |                        |               |
| Balance at 1 January 2016        | 916                            | 4                      | 920           |
| Additions                        | 49                             |                        | 49            |
|                                  | <hr/>                          | <hr/>                  | <hr/>         |
| Balance at 31 December 2016      | 965                            | 4                      | 969           |
|                                  | <hr/>                          | <hr/>                  | <hr/>         |
| <b>Depreciation</b>              |                                |                        |               |
| Balance at 1 January 2016        | 689                            | 4                      | 693           |
| Depreciation charge for the year | 56                             | -                      | 56            |
|                                  | <hr/>                          | <hr/>                  | <hr/>         |
| Balance at 31 December 2015      | 745                            | 4                      | 749           |
|                                  | <hr/>                          | <hr/>                  | <hr/>         |
| <b>Net book value</b>            |                                |                        |               |
| At 1 January 2016                | 227                            | -                      | 227           |
|                                  | <hr/>                          | <hr/>                  | <hr/>         |
| <b>At 31 December 2016</b>       | <b>220</b>                     |                        | <b>220</b>    |
|                                  | <hr/>                          | <hr/>                  | <hr/>         |

#### *Leased plant and machinery*

The companies held no leased plant and machinery as at 31 December 2016 or 31 December 2015.

### 9 Fixed asset investments

The Company has the following investments in subsidiaries

|                                                | Country of<br>incorporation | Principal<br>activity | Class and<br>percentage<br>of shares<br>held |
|------------------------------------------------|-----------------------------|-----------------------|----------------------------------------------|
| <b><i>Subsidiary undertakings</i></b>          |                             |                       |                                              |
| Machine Electrics Limited                      | England & Wales             | Dormant               | Ordinary – 100%                              |
| Trukaids Limited                               | England & Wales             | Dormant               | Ordinary – 100%                              |
| Fabricon (Wales) Limited                       | England & Wales             | Dormant               | Ordinary – 100%                              |
| Direct Contact (Cardiff) Limited               | England & Wales             | Dormant               | Ordinary – 100%                              |
| Electrical Spare Parts and Accessories Limited | England & Wales             | Dormant               | Ordinary – 100%                              |

The registered address for each of these Companies is:-  
335-336 Springvale Industrial Estate, Woodside Road  
Cwmbran NP44 5BR

**Notes (continued)**

**10 Stocks**

|                               | 2016<br>£000 | 2015<br>£000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 129          | 172          |
| Work in progress              | 426          | 431          |
| Finished goods                | 299          | 377          |
|                               | <u>854</u>   | <u>980</u>   |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £ 2,913,300 (2015: £2,701,000).

**11 Debtors**

|                                    | 2016<br>£000 | 2015<br>£000 |
|------------------------------------|--------------|--------------|
| Trade debtors                      | 578          | 491          |
| Amounts owed by group undertakings | 74           | 75           |
| Other debtors                      | 15           | 16           |
| * Deferred tax asset               | 149          | -            |
| Prepayments and accrued income     | 79           | 79           |
|                                    | <u>895</u>   | <u>661</u>   |

\* The deferred tax asset relates wholly to carried forward trading losses.

**12 Creditors: amounts falling due within one year**

|                                    | 2016<br>£000 | 2015<br>£000 |
|------------------------------------|--------------|--------------|
| Trade creditors                    | 374          | 410          |
| Amounts owed to group undertakings | 441          | 579          |
| Taxation and social security       | 28           | 21           |
| Other creditors                    | 8            | 9            |
| Accruals and deferred income       | 89           | 76           |
|                                    | <u>940</u>   | <u>1,095</u> |

The amounts due to group undertakings are interest free, unsecured and repayable on demand.

## Notes (continued)

### 13 Capital and reserves

#### Share capital

|                                           | 2016<br>£000 | 2015<br>£000 |
|-------------------------------------------|--------------|--------------|
| <i>Allotted, called up and fully paid</i> |              |              |
| 590,000 ordinary shares of £1 each        | 590          | 590          |
|                                           | <hr/>        | <hr/>        |
|                                           | 590          | 590          |
|                                           | <hr/>        | <hr/>        |

#### *Capital contribution reserve*

The capital contribution reserve represents loans from the parent company that have been converted into equity in previous years.

### 14 Financial risk management

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The carrying amount of financial assets of £895,000 (2015: £892,000) represents the maximum credit exposure. In addition the Company has established a credit policy under which each new customer is analysed for creditworthiness before the standard payment and delivery terms and conditions are offered. The Company also maintains for each customer sale limits that if exceeded require approval from management.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. In addition, the Company is supported by the parent Company with a line of credit that can be drawn down to meet short-term financing requirements.

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated. The Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

## Notes (continued)

### 15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

|                            | 2016<br>£000 | 2015<br>£000 |
|----------------------------|--------------|--------------|
| Less than one year         | 81           | 84           |
| Between one and five years | 7            | 7            |
| More than five years       | -            | -            |
|                            | <hr/> 88     | <hr/> 91     |

The Company leases a number of warehouse and factory facilities under operating leases.

During the year £81,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £81,000).

### 16 Capital commitments

The Company did not hold any contracts to purchase property, plant and equipment at 31 December 2016 or 31 December 2015.

### 17 Pension scheme

The Company operates a defined contribution pension scheme. The total expense relating to this plan in the current year was £16,288 (2015: £3,000). In addition, the company made contributions into employees' private pension schemes of £16,857 (2015: £20,000).

### 18 Related party disclosures

The Company is controlled by Schaltbau GmbH who owns 100% of the share capital of Schaltbau Machine Electrics Limited. Schaltbau GmbH is a subsidiary of the ultimate controlling party, Schaltbau Holding AG.

### 19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Schaltbau Holding AG which is the ultimate parent company incorporated in Germany.

The largest group in which the results of the Company are consolidated is that headed by Schaltbau Holding AG. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Hollerithstrasse 5, 81829, Munich.