

Schaltbau Machine Electrics Limited

**Directors' report and financial
statements**

Registered number 06606708

31 December 2017

SATURDAY



A71WYU9C

A10

17/03/2018

#23

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditor's report to the members of Schaltbau Machine Electrics Limited	4
Profit and Loss Account	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes	10

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 December 2017.

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 2017. 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. (2016: £nil)

Directors

The directors who held office during the year and up to the date of this report were as follows:

Mr R Phillips (Resigned 15th January 2018)
Mr T Fox
Mr D Konrad

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2016: £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, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the board



T Fox

Director

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

 March 2018

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 audit of the financial statements

Opinion

In our opinion, Schaltbau Machine Electrics Limited's 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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.



Jonathan Bound (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
16 March 2018

Profit and Loss Account

for year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	2	5,325	5,113
Cost of sales		(3,372)	(3,137)
Gross profit		1,953	1,976
Administrative expenses		(1,930)	(1,922)
Operating profit	3	23	54
Interest payable and similar charges	6	(8)	(8)
Profit on ordinary activities before taxation		15	46
Tax on profit on ordinary activities	7	16	149
Profit for the financial year		31	195

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

The notes on pages 10 to 21 form an integral part of these financial statements.

Balance Sheet

at 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	8		224		220
Current assets					
Stocks	9	799		854	
Debtors	10	740		895	
Cash at bank and in hand		553		250	
		<u>2,092</u>		<u>1,999</u>	
Creditors: amounts falling due within one year	11	<u>(1,007)</u>		<u>(940)</u>	
Net current assets			<u>1,085</u>		<u>1,059</u>
Total assets less current liabilities being net assets			<u>1,309</u>		<u>1,278</u>
Capital and reserves					
Called up share capital	12	590		590	
Capital contribution reserve	13	4,372		4,372	
Profit and loss account		(3,653)		(3,684)	
Total equity			<u>1,309</u>		<u>1,278</u>

These financial statements were approved by the board of directors on 13th March 2018 and were signed on its behalf by:



Trevor Fox
Director
Company registered number: 06606708

The notes on pages 10 to 21 form an integral part of these financial statements.

Statement of Changes in Equity

for year ended 31 December 2017

	Called up Share capital £000	Capital contribution account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	590	4,372	(3,879)	1,083
Profit for the financial year being total comprehensive income for year	-	-	195	195
Balance at 31 December 2016	590	4,372	(3,684)	1,278
Profit for the financial year being total comprehensive income for year	-	-	31	31
Balance at 31 December 2017	590	4,372	(3,653)	1,309

The notes on pages 10 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

	2017 £000	2016 £000
By geographical market		
United Kingdom	2,025	1,668
Rest of Europe	1,965	1,944
Rest of World	1,335	1,501
	<u>5,325</u>	<u>5,113</u>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Net foreign exchange gains	(55)	(14)

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	16	15

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	
	2017	2016
Management and administration	19	20
Production and sales	16	17
	<u>35</u>	<u>37</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	939	943
Social security costs	86	91
Contributions to defined contribution plans	34	33
	<u>1,059</u>	<u>1,067</u>

Notes (continued)

5 Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	185	184
Company contributions to Directors' money purchase pension plans	11	11
	<u>196</u>	<u>195</u>

Pension contributions were paid into personal pension plans for two (2016: two) directors during the year.

6 Interest payable and similar charges

	2017 £000	2016 £000
Interest payable on bank loans and overdrafts	8	8
Total interest payable and similar charges	<u>8</u>	<u>8</u>

7 Taxation

Recognised in the profit and loss account

	2017 £000	2017 £000	2016 £000	2016 £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		(16)		(149)
Tax credit on profit on ordinary activities		<u>(16)</u>		<u>(149)</u>

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit before tax	15	46
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	3	9
Non-deductible expenses	27	2
Deferred tax on losses prior year	(149)	(160)
Adjustment for timing differences	(45)	-
Total tax credit	(164)	(149)

The Company has estimated tax losses of £3,250,269 (2016: £3,292,747) available for carry forward against future taxable profit.

Notes *(continued)*

8 Tangible fixed assets

	Plant and machinery £000	Motor Vehicles £000	Total £000
Cost			
Balance at 1 January 2017	965	4	969
Additions	49	-	49
Balance at 31 December 2017	1,014	4	1,018
Depreciation			
Balance at 1 January 2017	745	4	749
Depreciation charge for the year	45	-	45
Balance at 31 December 2017	790	4	794
Net book value			
At 1 January 2017	220	-	220
At 31 December 2017	224	nil	224

Leased plant and machinery

The companies held no leased plant and machinery as at 31 December 2017 or 31 December 2016.

Notes (continued)

9 Stocks

	2017 £000	2016 £000
Raw materials and consumables	150	129
Work in progress	351	426
Finished goods	298	299
	799	854

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £ 3,130,070 (2016: £2,913,300).

10 Debtors

	2017 £000	2016 £000
Trade debtors	389	578
Amounts owed by group undertakings	72	74
Other debtors	28	15
* Deferred tax asset	182	149
Prepayments and accrued income	69	79
	740	895

11 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	289	374
Amounts owed to group undertakings	531	441
Taxation and social security	41	28
Other creditors	26	8
* Deferred tax liability	18	-
Accruals and deferred income	102	89
	1,007	940

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

* The deferred tax asset relates to carried forward trading losses (£136,245) and timing differences (£28,195).

Notes (continued)

12 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
590,000 ordinary shares of £1 each	590	590
	590	590

Capital contribution reserve

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

13 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 £1,293,000 (2016: £1,145,000) 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)

14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	114	81
Between one and five years	409	7
More than five years	-	-
	523	88

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

During the year £109,500 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £81,000).

15 Capital commitments

The Company did not hold any contracts to purchase property, plant and equipment at 31 December 2017 or 31 December 2016.

16 Pension scheme

The Company operates a defined contribution pension scheme. The total expense relating to this plan in the current year was £17,215 (2016: £16,288). In addition, the company made contributions into employees' private pension schemes of £18,142 (2016: £16,857).

17 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.

18 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.