

Registration number: 06606708

Schaltbau Machine Electrics Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2023

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Schaltbau Machine Electrics Limited

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Schaltbau Machine Electrics Limited

Company Information

Directors	T Fox Dr. J E R Brandes (appointed on 4 th April 2023) D R Konrad (resigned 10 th March 2023)
Secretary	D Y Chen
Registered office	335 – 336 Woodside Way Springvale Industrial Estate Cwmbran Torfaen NP44 5BR
Independent auditors	PricewaterhouseCoopers LLP One Kingsway Cardiff CF10 3PW

Schaltbau Machine Electrics Limited

Directors' Report for the Year Ended 31 December 2023

The directors present their report and the audited financial statements for the year ended 31 December 2023.

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

T Fox

Dr. J E R Brandes (appointed on 4th April 2023)

Principal activities

The principal activity of the company is the manufacture, repair and distribution of electrical components for use in a broad spread of industries for power distribution.

Fair review of the business

The company's key financial indicators during the year were as follows:

	Unit	2023	2022
Turnover	£000	10,103	8,319
Gross profit margin	%	34.75	37.17
Profit before tax	£000	1,185	1,045
Profit before tax as a percentage of turnover	%	11.73	12.56

Business review

The company still operates in a difficult trading environment, however 2023 saw a turnover rise by more than 20%, as the growth in the use of DC power for mobility and energy storage accelerated. The directors expect this sector to continue to grow in the medium term and new products developed by Schaltbau Group are expected to contribute to this continued growth. The company also sells into the UK rail industry and this sector has been affected due to the concentration of investment in large projects and is not expected to grow significantly. The company's diversification of its customer base over the last few years helps to ensure its continued success.

Principal risks and uncertainties

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 £3,394,000 (2022: £1,955,000) 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.

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.

Currency risk

The company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases 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. The results for the year are set out in the Income Statement on page 10.

Schaltbau Machine Electrics Limited

Directors' Report for the Year Ended 31 December 2023

Other significant Matters

The company continuously monitors other events, such as the conflict in Ukraine, and Gaza, rising material costs and potential material shortages, and where possible acts to reduce the impact of such events on the business. The company is closely monitoring the effect of the Gaza conflict on the cost and duration of international transport. The current known risks are not expected to significantly affect the growth of the business over the medium term.

Political donations

The company made no political donations or incurred any political expenditure during the year (2022: £nil).

Employment of disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement

The company's policy is to consult and discuss with employees, through staff meetings, all matters likely to affect employees' interests.

Information on matters of concern to employees is given through bulletins and reports that seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Engagement with suppliers, customers and other business relationships

As part of the Schaltbau Group, Schaltbau Machine Electrics Limited conforms to the Schaltbau Group Code of Conduct which all employees are asked to observe in their day-to-day activities.

The code of conduct sets out the foundations of how the company deals with all of its stakeholders.

This includes but is not limited to:

- Expectations towards business partners
- Corporate principles
- General conduct for employees and the company
- Conduct of the company towards its employees
- Conduct of employees towards the company and third parties
- Compliance implementation and control

The company's local management is responsible to ensure compliance to the Code of Conduct. Schaltbau Group monitor compliance through its compliance system and regular audit.

Future developments

Schaltbau Machine Electrics Limited specialises in products for handling DC power and the move to renewable energy is expected to continue to drive our growth in future years. Several new products are launching in 2024 and we are working closely with our customer base to provide solutions that can support this growth. Our diverse customer base ensures we are not over reliant on any single customer.

Business in the Rail market continues to be under pressure, due to many factors. In the short term this is still expected to be subdued, however long term this remains a key market which we have excellent products to sell in to. We continue to work closely with our sister companies in the Schaltbau group to ensure we can support our customers worldwide and provide local service activities to support our rail customers.

Schaltbau Machine Electrics Limited

Directors' Report for the Year Ended 31 December 2023

Research and development

Research and new product development is led by Schaltbau GmbH with limited activities performed locally.

Going concern

The financial statements are prepared on a going concern basis. The directors have performed an assessment of the company's ability to continue as a going concern based on the board-approved forecasts of the company for the 12 months following the date of signing the financial statements. The forecasts have also been assessed against what is considered a reasonable downside risk scenario. The directors have considered the working capital requirements in these forecasts and are confident that these will be covered by the existing facilities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook due to the conflict in Ukraine and the increase of costs and duration on international transport due to the Gaza conflict. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The independent auditors PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report and the financial statements on pages 10 – 12 were approved by the Board of Directors on 12th June 2024 and signed on its behalf by:



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T Fox
Director

Schaltbau Machine Electrics Limited

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.



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T Fox
Director

Date: 12th June 2024

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 2023 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, including 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2023; the Income Statement and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Schaltbau Machine Electrics Limited

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 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.

Schaltbau Machine Electrics Limited

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety and other employment matters, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions to overstate profits in order to maintain or exceed expectations of its parent company. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- Reviewing management meeting minutes and reports that set out the Company's review of compliance matters;
- Identifying and testing journal entries, in particular those with unusual account combinations which could indicate fraudulent overstatement of profits; and
- Obtaining third party confirmations from all of the company's banking and financial arrangements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Schaltbau Machine Electrics Limited

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: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Brian Treharne (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff

18th June 2024

Schaltbau Machine Electrics Limited

Income Statement for the Year Ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Revenue	3	10,103	8,319
Cost of sales		<u>(6,592)</u>	<u>(5,226)</u>
Gross profit		3,511	3,093
Administrative expenses		<u>(2,309)</u>	<u>(2,055)</u>
Operating profit	4	1,202	1,038
Interest (paid) / received	7	<u>(17)</u>	<u>7</u>
Profit before taxation		1,185	1,045
Tax on profit	8	<u>(294)</u>	<u>(221)</u>
Profit for the financial year		<u>891</u>	<u>824</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above, and therefore no separate Statement of Comprehensive Income has been presented.

Schaltbau Machine Electrics Limited

Statement of Financial Position as at 31 December 2023

	Note	2023 £ 000	2022 £ 000
Assets			
Non-current assets			
Property, plant and equipment	9	487	426
Right of use assets	10	958	22
Deferred tax assets	8	53	257
		<u>1,498</u>	<u>705</u>
Current assets			
Inventories	11	1,985	2,109
Trade and other receivables	12	3,196	1,723
Cash and cash equivalents	13	259	552
		<u>5,440</u>	<u>4,384</u>
Total assets		<u>6,938</u>	<u>5,089</u>
Equity and liabilities			
Equity			
Called up share capital	14	590	590
Capital redemption reserve		4,372	4,372
Profit and loss account		74	(817)
Total equity		<u>5,036</u>	<u>4,145</u>
Non-current liabilities			
Lease liabilities	10	911	11
Current liabilities			
Lease liabilities	10	70	11
Trade and other payables	15	921	922
Total liabilities		<u>1,902</u>	<u>944</u>
Total equity and liabilities		<u>6,938</u>	<u>5,089</u>

The financial statements on pages 10 to 28 have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 13 to 28 are an integral part of these financial statements.

Approved by the Board and signed on 18th June 2024 on its behalf by:



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T Fox
Director
Schaltbau Machine Electrics Limited
Company registration number: 06606708

Schaltbau Machine Electrics Limited

Statement of Changes in Equity for the Year Ended 31 December 2023

	Called up share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2023	590	4,372	(817)	4,145
Profit for the year	-	-	891	891
Dividend paid			630	630
Dividend reversed			(630)	(630)
At 31 December 2023	590	4,372	74	5,036

	Called up share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2022	590	4,372	(1,641)	3,321
Profit for the year	-	-	824	824
At 31 December 2022	590	4,372	(817)	4,145

The company has received a request to pay dividend to Schaltbau GmbH and has made a payment of GBP 630,000 on the 21st September 2023. After reviewing the retained earnings it was recognised that the dividend could not be paid and the dividend proposal was withdrawn and the paid amount of GBP 630,000 is to be considered to be an interest bearing intercompany loan. This is reflected on the asset side of the balance sheet.

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

1 General information

The principal activity of the company is the manufacture, repair and distribution of electrical components for use in a broad spread of industries. 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, The Carlyle Group Inc.

The company is a private company limited by share capital, incorporated and domiciled in the United Kingdom and registered in England and Wales.

The address of its registered office is:
335-336 Woodside Way
Springvale Industrial Estate
Cwmbran
Torfaen
NP44 5BR

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Schaltbau Machine Electrics Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The presentation currency of these financial statements is Sterling. All amounts have been rounded to the nearest £1,000.

Schaltbau Holding AG, as the parent company, 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 published electronically in the German Federal Gazette or can be viewed on the company website. <https://ir.schaltbaugroup.com/websites/schaltbau/German/4410/finanzberichte.html>

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.1.

Going concern

The financial statements are prepared on a going concern basis. The directors have performed an assessment of the company's ability to continue as a going concern based on the board-approved forecasts of the company for the 12 months following the date of signing the financial statements. The forecasts have also been assessed against what is considered a reasonable downside risk scenario. The directors have considered the working capital requirements in these forecasts and are confident that these will be covered by the existing facilities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook due to the conflict in Ukraine and the increase of costs and duration on international transport due to the Gaza conflict. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2023

2 Accounting policies (continued)

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - iii. Paragraph 79(a)(iv) of IAS 1;
 - iv. Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38B–D (additional comparative information);
 - 111 (statement of cash flows information); and
 - 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

Adoption of new accounting standards in the year

No new accounting standards have been adopted throughout the year.

Notes to the Financial Statements for the Year Ended 31 December 2023

2 Accounting policies (continued)

Leases

The company leases the office, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements for the Year Ended 31 December 2023

2 Accounting policies (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of repair services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

- The amount of revenue can be reliably measured;
- It is probable that future economic benefits will flow to the entity;
- When the goods have been despatched.

Foreign currency transactions and balances

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.

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.

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

2 Accounting policies (continued)

Interest-bearing borrowing

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.

Tax

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	3-15 years
Motor vehicles	4 years

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

2 Accounting policies (continued)

Trade and other debtors

Trade and other debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined based on the cost of purchase on a weighted average basis.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade and other creditors

Trade and other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Capital contribution reserve

The capital contribution reserve represents loans from the parent company that has been converted into equity.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Notes to the Financial Statements for the Year Ended 31 December 2023

2 Accounting policies (continued)

Financial assets and liabilities

Classification

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.

Recognition and measurement

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.

Impairment

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.

2.1 Critical accounting estimates and judgement

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.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

2 Critical accounting estimates and judgement (continued)

2.1.1 Lease accounting

These liabilities are measured at the net present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate at 1 January 2023. The lessee's weighted average incremental borrowing rate applied to lease liabilities as at 1 January 2023 was 4.31%. The discount rate used was based on yields of EUR-denominated reference bonds of non-financial companies with comparable credit ratings. Yields for specific maturities were determined using a classical linear regression analysis model.

2.1.2 Stock and debtor provision

The company has a formal policy for making provisions for stock and debtors to ensure they are stated at no more than their expected recoverable amounts. When calculating the stock provision, management considers the nature and age of the stock, as well as applying assumption around anticipated saleability of the stock. For the calculation of the debtors provision, management considers factors including the aging profile of the debtors and historical experiences.

2.1.3 Deferred Tax

A deferred tax asset is only setup when it is likely that it will be realised. The deferred tax calculation is based on the future profitability of the company.

3 Revenue

The analysis of the company's turnover for the year from continuing operations is as follows:

	2023	2022
	£ 000	£ 000
Sale of goods	10,103	8,319

The analysis of the company's turnover for the year by market is as follows:

	2023	2022
	£ 000	£ 000
UK	2,416	2,674
Europe	5,057	4,183
Rest of world	2,630	1,462
	10,103	8,319

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

4 Operating profit

Arrived at after charging / (crediting)

	2023 £ 000	2022 £ 000
Audit Fees	42	39
Inventory recognised as an expense	5,992	5,226
Depreciation	207	188
Foreign exchange gains	(31)	(118)

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2023 £ 000	2022 £ 000
Wages and salaries	1,396	1,141
Social security costs	135	112
Other pension costs	53	45
	<u>1,584</u>	<u>1,298</u>

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

	2023 No.	2022 No.
Production	22	17
Administration and support	19	21
	<u>41</u>	<u>38</u>

6 Directors' remuneration

The directors' remuneration for the year was as follows:

This relates to the highest paid director as the other director is remunerated by the parent company as in prior years.

	2023 £ 000	2022 £ 000
Remuneration	124	122
Benefits in kind	11	7
Contributions paid to money purchase schemes	8	8
	<u>143</u>	<u>137</u>

7 Interest paid / (received)

	2023 £ 000	2022 £ 000
Interest charges paid lease liabilities	39	2
Interest income from pool accounts	(22)	(9)
	<u>17</u>	<u>(7)</u>

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

8 Tax on profit

Recognised in the income statement

	2023 £ 000	2022 £ 000
Tax on profit		
UK current tax charge	90	-
Deferred tax charge	204	211
	<u>294</u>	<u>211</u>

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit before tax	1,185	1,045
Corporation tax at standard rate of 23.52% (PY: 19.00%)	279	199
Fixed asset timing differences	-	(7)
Adjustments to tax in respect of PY	3	-
Remeasurement of deferred tax for changes in tax rate	12	29
Total tax charge	<u>294</u>	<u>221</u>

Reconciliation of taxable profit:

	2023 £ 000	2022 £ 000
Profit before tax	1,185	1,045
Adjustments in respect of prior periods	(755)	(937)
Expenses not deductible for tax purposes	(47)	(108)
Adjusted profit	<u>383</u>	<u>-</u>

	Profits £ 000	Tax £ 000
Corporation tax for the period to 31/03/2023 at 19%	94	18
Corporation tax for the period to 31/12/2023 at 25%	289	72
Taxable profit	<u>383</u>	<u>90</u>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Income taxes in the income statement are measured at 23.5% (blended average). The deferred tax balance at year end has been recognised at 25%.

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

8 Tax on profit (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2023			
Accelerated tax depreciation	-	(112)	(112)
Non trade tax losses carry-forwards	69	-	69
Other items	96	-	96
	<u>165</u>	<u>(112)</u>	<u>53</u>

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2022			
Accelerated tax depreciation	-	(95)	(95)
Tax losses carry-forwards	267	-	267
Other items	85	-	85
	<u>352</u>	<u>(95)</u>	<u>257</u>

Deferred tax movement during the year:

	At 1 January 2023 £ 000	Recognised in income £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	(95)	(17)	(112)
Tax losses carry-forwards	267	(198)	69
Other items	85	11	96
Net tax assets	<u>257</u>	<u>(204)</u>	<u>53</u>

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

9 Property, plant and equipment

	Motor vehicles £ 000	Plant and machinery £ 000	Total £ 000
Cost			
At 1 January 2023	4	1,478	1,482
Additions	-	156	156
At 31 December 2023	4	1,634	1,638
Accumulated depreciation			
At 1 January 2023	4	1,052	1,056
Charge for the year	-	95	95
At 31 December 2023	4	1,147	1,151
Carrying amount			
At 31 December 2023	-	487	487
At 31 December 2022	-	426	426

10 Leases

The company has lease contracts for various offices, warehouses, equipment and tools used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

Amounts recognised in the statement of financial position

Right-of-use assets

	Land & buildings £ 000	Plant and machinery £ 000	Total £ 000
Cost			
At 1 January 2023	362	17	379
Additions	1,022	26	1,048
Disposals	(362)	-	(362)
At 31 December 2023	1,022	43	1,065
Accumulated depreciation			
At 1 January 2023	354	3	357
Charge for the year	101	11	112
Disposals	(362)	-	(362)
At 31 December 2023	93	14	107
Carrying amount			
At 31 December 2023	929	29	958
At 31 December 2022	8	14	22

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

10 Leases (continued)

Net Lease liabilities

	2023 £ 000	2022 £ 000
Short term	70	11
Long term	911	11
	<u>981</u>	<u>22</u>

Amounts recognised in the income statement

Depreciation Charge of right-of-use assets

	2023 £ 000	2022 £ 000
Land & Buildings	101	88
Plant & Machinery	11	16
	<u>112</u>	<u>104</u>

Other lease related expenses

	2023 £ 000	2022 £ 000
Interest expense (included in finance costs, note 7)	39	2
Expenses related to low value assets	20	8
	<u>59</u>	<u>10</u>

	2023 £ 000	2022 £ 000
Not later than 1 year	110	11
Later than one year and not later than 5 years	1,075	12
Total gross payments	<u>1,185</u>	<u>23</u>
Impact on finance expenses	<u>(204)</u>	<u>(1)</u>
Carrying amount of liability	<u>981</u>	<u>22</u>

The total cash outflow for leases in 2023 was £119,000 (2022: £113,000).

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

11 Inventories

	2023	2022
	£ 000	£ 000
Raw materials and consumables	594	523
Work in progress	818	925
Finished goods and goods for resale	573	661
	<u>1,985</u>	<u>2,109</u>

There is no significant difference between the replacement costs of raw materials, work in progress and finished goods and goods for resale and their carrying amounts.

Inventories are stated after provision for impairment of £337,000 (2022: £300,000)

12 Trade and other receivables

	2023	2022
	£ 000	£ 000
Trade receivables	853	730
Amounts owed by group undertakings	2,283	673
Prepayments	57	276
Other receivables	3	44
Total current trade and other receivables	<u>3,196</u>	<u>1,723</u>

Amounts owed by group undertakings are unsecured and need to be paid between 30-90 days of date of invoice.

Trade receivables are stated after provision for impairment of £32,000 (2022: £32,000)

No trade receivables fall due after more than one year.

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

13 Cash and cash equivalents

	2023 £ 000	2022 £ 000
Cash at bank	259	552

14 Called up share capital

Allotted, called up and fully paid shares

	2023		2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	590	590	590	590

15 Trade and other payables

	2023 £ 000	2022 £ 000
Trade payables	498	606
Accruals and deferred income	182	182
Amounts owed to group undertakings	32	93
Social security and other taxes	36	27
Tax liability	90	-
Other payables	83	14
	<u>921</u>	<u>922</u>

Amounts owed to group undertakings are unsecured and need to be paid between 30 – 90 days of date of invoice.

16 Defined contribution pension scheme

The company operates a defined contribution pension scheme. The total expense relating to this plan in the current year was £41,000 (2022 - £33,000). In addition, the company made contributions into employees' private pension schemes of £12,000 (2022 - £12,000).

17 Related party transactions

The immediate parent of the entity is Schaltbau GmbH who owns 100% of the share capital of Schaltbau Machine Electrics Limited. Schaltbau GmbH is a subsidiary of the ultimate controlling party, The Carlyle Group Inc.

Schaltbau Machine Electrics Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

18 Parent and ultimate parent undertaking

The company is a subsidiary undertaking of Schaltbau GmbH which is the immediate parent company.

The ultimate parent company is The Carlyle Group Inc. with its registered office in Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA, whose business activity is the holding of investments. The consolidated financial statements for the largest group of affiliated companies are prepared by Voltage Global Holding GmbH, Promenadeplatz 8, Munich, 80333, Germany.