Schneider Electric Limited

Financial Statements

For the year ended 31 December 2013

Company number: 1407228

CONTENTS **PAGE**

Strategic Report	1
Directors' Report	3
Independent Auditors' Report	6
Profit and Loss Account	7
Statement of Total Recognised Gains and Losses	8
Balance Sheet	9
Accounting Policies	10
Notes to the Financial Statements	12

STRATEGIC REPORT

The directors present their Strategic Report for the year ended December 2013.

Description of the Business

The company is organised into four businesses, Partner, Infrastructure, Industry and Buildings. These four businesses are described below:

Partner
Partner Eco:
Best in class offers that connect buildings, living spaces, datacentres and industrial plants with the energy data they need, including lighting, room control, connected home, power monitoring and power factor correction.

Partner Projects:
Best in class offers for electrification of a building or plant, including power breakers, switching and controlling, busway, enclosures and equipment. All delivered via an outstanding customer experience with partners, OEMs, specifiers and panel builders.

Partner Retail:
A global leader in Wiring Devices, Cable Management Systems and Final Distribution solutions with a go to market strategy through both professional distribution and B2C via well known names on the UK High Street. With a diverse customer base ranging from consumers and small electricians through to national contractors and distributors and design consultants, the business is committed to creating demand generation for its channel partners and enhancing the distribution and end user experience through offer, supply chain and after sales innovation.

Infrastructure
Market leading medium voltage energy solutions, services and products that are simplified, integrated and efficient, answering the critical business needs of electric utilities with unique value propositions across the entire value chain of energy and with an extensive multi-channel approach.

Industry
Comprehensive products and solutions for the automation and control of machines, manufacturing plants and industrial sites. Offers include hardware, such as motion control, variable speed drives, motor starters and contactors, human-machine interface ("HMI") terminals, programmable logic controllers ("PLCs"), push buttons and signalling, temperature and pressure sensors, and customised sensors, together with software applications for operations management and supervisory control.

Buildings
Experts in smart, sustainable spaces and dedicated to fulfilling customers' needs in the controls, optimisation and building energy management arena. by continually developing sophisticated products, solutions and services, the business enables customers to operate buildings that are both highly intelligent and highly efficient, meeting tomorrow's challenges for a brighter business and environmental future through reduced energy consumption, resources and carbon emissions.

Review of the Business

The results of the company for the year are set out on page 7. A dividend of £27,190,000 was paid in the year (2012: £nil). The profit for the year of £20,283,000 (2012: £39,115,000) has been transferred to reserves.

The balance sheet of the company is set out on page 9. The company has a strong balance sheet with net current assets of £230,127,000 (2012: £233,275,000) and net equity of £93,801,000 (2012: £88,553,000).

The company focuses on measuring financial and non financial performance.

STRATEGIC REPORT continued

Financial performance review

Many Financial Key Performance Indicators are used by the company management with the main focus being on profitability and control of working capital.

Turnover has increased by 9% (2012: increase of 32%) in the year to £640m (2012: £587m) due to the full year effect of the acquisition made on 1st October 2012 of Schneider Electric Energy UK Ltd (SEEUKL) and general market conditions. Gross profit margin of 28.5% (2012: 29.3%) has reduced due to the full year effect of the acquired business, SEEUKL, having a lower margin than the continuing trade and as a result of raw material price increases. The operating profit before interest and tax margin has decreased to 4.6% (2012: 9.2%) this is due to an increase in administration expenses, specifically amortisation of goodwill of the acquired business SEEUKL, restructuring costs and an increase in management charges from group companies.

Strong control over working capital has continued to be exerted throughout 2013. During 2013 stock days have increased by 2 days to 34 days (2012: 32 days) and external debtor days have increased by 3 days to 77 days (2012: 74 days). Overdue debt has continued to decrease. The increases in both stock and debtors have been impacted by the acquired businesses.

Non financial performance review

The company measures both customer and employee satisfaction using a net promoter score calculation on a quarterly basis. The company monitors customer satisfaction through the use of an external consultant who survey over 500 customers per quarter. This measure is used to drive our customer satisfaction improvement initiatives to ensure our service to customers is of the highest possible quality.

The company monitors employee satisfaction through the use of a quarterly survey sent to all employees the results of which are used to improve the working environment for our workforce. The company employs 2,907 people (2012: 2,774 people) and retains a strong commitment to these people, recognising the importance of the workforce in meeting customer needs. Managers are focused on the development of people, increasing skills, motivation and commitment.

Research and development remains a significant area for investment and the company is committed to ensuring that its product offer stays abreast of new technology and is well adapted to changes in market expectations.

The company has incurred £7,677,000 in restructuring costs during 2013 (2012: £nil), £4,200,000 is to move three parts of the business into new locations to improve efficiency, £2,500,000 is to close the contracting division which was unprofitable and £1,000,000 is for redundancy costs.

During 2013 the company acquired the trade and assets of two fellow subsidiaries of the Schneider Electric SA group at net book value; Serck Controls Limited on 1st July 2013 net assets of £6,323,000 and Andromeda Telematics Limited on 31 December 2013 net liabilities of £2,943,000. An analysis of these values is set out in note 8.

Management expect the business to continue to be profitable in 2014. The company has considerable financial resources together with long term contracts with a number of customers and suppliers across the different businesses listed above. As a consequence the directors believe that the company is well placed to manage its business risks successfully and to continue to generate positive cash flows for the foreseeable future.

The principal risks and uncertainties facing the company are changes in market conditions, fluctuations in raw material prices and foreign currency exchange rates.

By order of the Board

T Lambeth
Director

16 September 2014

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2013.

Directors

The directors of the Company during the year and up to the date of this report were:

S Thorogood
T Athawes (resigned 19 November 2013)
T Lambeth
E Coxon
A Taylor

Directors' indemnity

The company's Articles of Association provide, subject to the provisions of UK legislation, for an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company.

Disclosure of qualifying third party indemnity provisions

The ultimate parent company (note 24) made provision throughout the year for all directors' indemnity.

Results for the year and dividends

The results for the year and dividends paid are set out in the Strategic Report on page 1.

Financial instruments

The company uses the Schneider Electric SA group treasury function to arrange appropriate procedures including financial instruments to mitigate losses that could arise from unexpected fluctuations in foreign currencies relating to import and export of products and services; metal prices relating to purchase of raw material and components; and interest rates relating to intercompany loans.

The company is not exposed to any significant liquidity risk due to the cash organisation of the business and has access to the Schneider Electric SA group cash resources for short term financing. All cash balances are held with long established, reputable financial institutions.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are changes in market conditions, fluctuations in raw material prices and foreign currency exchange rates. Internal systems and business efficiency were again a priority for management, especially in enhancing commercial systems and those processes that interface directly with our customers.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Research and development

The company's research and development activity is set out in the Strategic report on page 2.

Employee involvement

It is the company's policy that employees should be kept as fully informed as is practicable about the company's activities through the medium of meetings with management and supervisors.

DIRECTORS' REPORT continued

Disabled persons

The company has an established policy of encouraging the employment of disabled persons wherever this is practicable. The company endeavours to ensure that disabled employees benefit from training and career development programmes in common with all employees.

Political contributions

During the current and prior years, the company made no political contributions.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

The directors have taken all the necessary steps to make the auditors aware of any relevant audit information and to establish that the auditors are aware of that information.

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

Mazars LLP are willing to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

DIRECTORS' REPORT continued

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of the Business on page 1. In addition notes 1 to 24 of the financial statements includes the company's accounting policies and processes for managing its capital, its financial risk and details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The company has considerable financial resources together with long term contracts with a number of customers and suppliers across different industries and geographic areas. As a consequence the directors believe that the company is well placed to manage its business risks successfully.

The directors' have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Future developments

Future developments are set out in the Strategic Report on page 2.

By order of the Board

T Lambeth
Director

16 September 2014

Registered Office:
Stafford Park 5
Telford
Shropshire
TF3 3BL

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF SCHNEIDER ELECTRIC LTD

We have audited the financial statements of Schneider Electric Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Timothy Hudson (Senior Statutory Auditor)
for and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor
The Lexicon, Mount Street
Manchester
M2 5NT
Date 23 September 2014.

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2013

	Note	2013 Acquisition (Note 8) £'000	2013 Continuing Operations £'000	2013 Total £'000	2012 £'000
Turnover	1	11,138	628,787	639,925	587,243
Cost of sales		(7,061)	(450,561)	(457,622)	(415,229)
Gross Profit		4,077	178,226	182,303	172,014
Distribution costs		(2)	(13,230)	(13,232)	(12,505)
Administrative expenses		(2,052)	(138,910)	(140,962)	(105,704)
Operating profit		2,023	26,086	28,109	53,805
Profit/(loss) on disposal of fixed assets				221	(12)
Profit on ordinary activities before interest and taxation				28,330	53,793
Interest receivable	2			242	51
Interest payable	2			(5,464)	(3,349)
Profit on ordinary activities before taxation	3			23,108	50,495
Taxation	6			(2,825)	(11,380)
Profit for the financial year	17			20,283	39,115

The accounting policies and notes on pages 10 to 27 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2013

		2013	2012
		£'000	£'000
Profit for the financial year		**20,283**	39,115
Actuarial gains/(losses) recognised in defined benefit pension scheme	19	**19,415**	(43,666)
Deferred tax thereon		**(7,260)**	9,314
Total recognised gains and losses for the year		**32,438**	4,763

The accounting policies and notes on pages 10 to 27 form part of these financial statements.

BALANCE SHEET
as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	7	**104,593**	109,718
Tangible assets	9	**35,084**	33,066
Investments	10	**3,372**	3,372
		143,049	146,156
Current assets			
Stock	11	**52,846**	49,185
Debtors	12	**348,648**	347,778
Cash at bank and in hand		**14,335**	12,397
		415,829	409,360
Creditors - amounts falling due within one year	13	**(185,702)**	(176,085)
Net current assets		**230,127**	233,275
Total assets less current liabilities		**373,176**	379,431
Creditors - amounts falling due after more than one year	14	**(208,256)**	(202,025)
Provisions for liabilitites and charges	15	**(18,104)**	(18,369)
Net assets excluding pension liabiilty		**146,816**	159,037
Net pension liability	19	**(53,015)**	(70,484)
Net assets including pension liability		**93,801**	88,553
Capital and reserves			
Called up share capital	16	**60,000**	60,000
Profit and loss account	17	**33,801**	28,553
Shareholder's funds	18	**93,801**	88,553

The accounting policies and notes on pages 10 to 27 form past of these financial statements.

The financial statements on pages 7 to 27 were approved by the board of directors and authorised for issue on 16 September 2014 and signed of its behalf by:

T Lambeth
Director

Company number: 1407228

ACCOUNTING POLICIES
For the year ended 31 December 2013

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently throughout the current and the preceding year, are as follows:

Accounting convention
These financial statements have been prepared in accordance with the historical cost convention. Having considered the historical levels of profitability and cash inflow strength of the balance sheet and the company's forecasted cashflows the directors' consider it is appropriate to prepare the financial statements on a going concern basis.

Group financial statements
The company is exempt from the requirement to prepare consolidated financial statements as during the year to 31 December 2013 its results were consolidated into those of its ultimate parent undertaking, Schneider Electric S.A. and it has complied with the conditions in accordance with Section 400 of the Companies Act.

Turnover
Turnover comprises the invoice value, after rebates and excluding value added tax, of goods supplied to customers. Revenue is recognised when goods are despatched to customers. In the case of short and long term contracts, turnover is recognised with reference to the percentage of costs incurred.

Profit recognition on contracts
Profit is recognised on long-term contracts on the basis of the total estimated contract outcomes and the costs incurred at the year end. Relevant costs are transferred from work in progress to cost of sales. Full provision is made against any contract loss as soon as such loss is foreseen.

Research and development
Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Operating leases
Costs in respect of operating leases are charged on a straight-line basis over the lease terms.

Goodwill
Goodwill arising on acquisition of trade and assets from a related group undertaking is amortised over a period of 10 – 20 years.

Other intangible fixed assets
The cost of intangible fixed assets is their purchase cost, together with any expenses of acquisition. Amortisation is calculated so as to write off the cost of intangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

Patents & trademarks	- 10%

Tangible fixed assets
The cost of tangible fixed assets is their purchase cost, together with any expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. Assets under construction are separately identified and depreciation commences when the asset comes into use. The principal annual rates used for this purpose are:-

Freehold land & Assets under construction	- not depreciated
Freehold property	- 2.5% p.a.
Leasehold property	- higher of 2.5% or period of lease
Fixtures, fittings, plant and equipment	- 10.0% to 33.3% p.a.

Investments
Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

ACCOUNTING POLICIES continued
For the year ended 31 December 2013

Stocks
Stocks are stated at the lower of cost and net realisable value. In general, cost comprises prime costs of direct labour and materials together with related overheads. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred on disposal. Where necessary, provision is made for obsolete, slow moving and defective stocks.

In the case of long term contracts, work in progress is stated at cost of direct materials and direct labour plus attributable profit less payments on account and foreseeable losses. Payments on account which exceed the related amount of work in progress are included in creditors.

Foreign currency translation
Transactions in foreign currencies are translated at the rate of exchange on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange at the balance sheet date, or, where appropriate, at the relevant contract rate of exchange. Differences on exchange are recognised in the profit and loss account.

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Warranty provisions
Warranties are provided in the normal course of business based on an assessment of future claims with reference to past claims experience. Such costs are generally incurred within two years of the balance sheet date. Additional specific warranties are provided where liabilities for known product defects exist.

Pensions
For the company's defined benefit pension schemes, the pension scheme liabilities are measured using the projected unit method and discounted at a AA corporate bond rate. The pension scheme assets are valued at market rate. The pension scheme asset or deficit is recognised in full on the balance sheet.

For the company's defined contribution pension schemes the amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Cash flow statement
In accordance with Financial Reporting Standard No.1 'Cash Flow statements' (Revised) a cash flow statement is not included in these financial statements because the company's ultimate parent company, Schneider Electric S.A., has prepared a consolidated cash flow statement in its 2013 published consolidated financial statements which includes the cash flows of the company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. TURNOVER

The turnover attributable to each of the Company's geographical markets is:

	2013	2012
	£'000	£'000
United Kingdom	**582,266**	528,750
Overseas markets	**57,659**	58,493
	639,925	587,243

Included within United Kingdom is £11,138,000 relating to businesses acquired in the year.

The turnover attributable to each of the Company's segments is:

	2013	2012
	£'000	£'000
Partner	**275,168**	244,880
Infrastructure	**206,696**	191,441
Industry	**61,433**	56,963
Buildings	**96,628**	93,959
	639,925	587,243

Included within Industry segment is £11,138,000 relating to businesses acquired in the year.

All turnover originates in the United Kingdom and relates to the principal activity of the business.

2. INTEREST RECEIVABLE AND PAYABLE

	2013	2012
	£'000	£'000
Interest receivable on bank deposits	**5**	1
Interest receivable on intergroup loans	**237**	50
Total interest receivable	**242**	51
Interest payable on intergroup loans	**(2,059)**	(866)
Interest payable on bank deposits	**-**	(1)
Other finance income/(costs) (note 19)	**(3,405)**	(2,482)
Total interest payable	**(5,464)**	(3,349)

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of owned tangible assets	3,791	2,938
Amortisation of owned intangible assets	21	21
Amortisation of goodwill	5,661	1,257
(Gain)/loss on disposal of owned assets	(221)	12
Operating lease rentals:		
Land and buildings	2,989	3,229
Other	3,875	4,366
Staff costs	114,461	100,186
Audit of the company's annual accounts	233	222
Management charges from other group companies	11,858	7,973
Research and development expenditure	1,447	936
Foreign exchange gains	(464)	(257)
Restructuring costs	7,677	-

4. STAFF COSTS

	2013 £'000	2012 £'000
Wages and salaries	98,236	85,846
Social security costs	9,947	9,051
Other pension costs	6,278	5,289
	114,461	100,186

	2013 Number	2012 Number
The average number of persons, including directors, employed by the company was		
Manufacturing, project and service engineers	1,472	1,373
Administration, sales and management staff	1,435	1,401
	2,907	2,774

5. DIRECTORS' REMUNERATION

	2013 £'000	2012 £'000
Emoluments paid or payable	1,412	1,176

The number of directors to whom retirement benefits are accruing under defined benefit schemes	-	-
Highest paid director - aggregate emoluments	621	597

The highest paid director is not a member of the Company pension schemes.

The comparative figures for directors' remuneration for 2012 have been amended to be consistent with the current year disclosure.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) The tax charge for the year comprises:

	2013 £'000	2012 £'000
Current tax		
Charge for the year	**3,663**	12,002
Adjustment in respect of prior years	**(1,527)**	-
	2,136	12,002
Deferred tax		
Origination and reversal of temporary differences in the current year	**(191)**	(1,634)
Deferred tax on pension liability	**542**	(397)
Adjustment in respect of prior years	**338**	1,417
Tax charge on profit	**2,825**	11,388

(b) Reconciliation of the effective tax rate:

The differences between total current tax assessed and at the standard rate of corporation tax in the UK are explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	**23,108**	50,495
Profit on ordinary activities multiplied by the standard rate of UK tax of 23.25% (2012 24.5%)	**5,373**	12,371
Effects of:		
Accelerated capital allowances and other timing differences	**5**	45
Permanent differences	**1,739**	592
Pension accounting	**(1,363)**	(79)
Group relief claimed	**(2,137)**	(789)
R&D enhanced relief	**(36)**	-
Other timing differences	**82**	(138)
Over/under provision in respect of prior years	**(1,527)**	-
Total current tax	**2,136**	12,002

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

7. INTANGIBLE FIXED ASSETS

	Patents & Trademarks £'000	Purchased Goodwill £'000	Total £'000
Cost			
At 1 January 2013	127	111,160	111,287
Additions	-	557	557
At 31 December 2013	**127**	**111,717**	**111,844**
Accumulated amortisation			
At 1 January 2013	63	1,506	1,569
Charge for the year	21	5,661	5,682
At 31 December 2013	**84**	**7,167**	**7,251**
Net book amount			
At 31 December 2013	**43**	**104,550**	**104,593**
At 31 December 2012	64	109,654	109,718

On 1 July 2013 the trade and assets of Serck Controls Ltd were purchased, creating goodwill of £557,000 see Note 8.

8. TRADE AND ASSETS ACQUIRED

The trade, assets and liabilities of fellow subsidiaries of the Schneider Electric Group SA, Serck Controls Limited and Andromeda Telematics Limited were purchased via intercompany loan during the year using the acquisition method of accounting. Their fair values were as follows:

	Andromeda Telematics Ltd Book & fair value £'000	Serck Controls Ltd Book & fair value £'000
Tangible fixed assets	**130**	**1,022**
Stock and work in progress	**468**	-
Debtors	**2,398**	**4,966**
Cash	**11**	**4,725**
Creditors amounts falling due within one year	**(5,806)**	**(4,947)**
Provisions	**(144)**	-
Net assets, excluding goodwill	**(2,943)**	**5,766**
Consideration	**(2,943)**	**6,323**
Goodwill	-	**557**
Acquisition date	31 December 2013	01 July 2013
(Loss)/profit before taxation for the period to acquisition	**(1,064)**	**1,135**

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

9. TANGIBLE FIXED ASSETS

	Freehold property £'000	Long leasehold property £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2013	28,628	686	40,156	1,118	70,588
Additions	387	148	3,278	2,444	6,257
Transfer	-	-	503	(503)	-
Disposals	(8)	(9)	(2,603)	(60)	(2,680)
At 31 December 2013	**29,007**	**825**	**41,334**	**2,999**	**74,165**
Depreciation					
At 1 January 2013	7,701	359	29,462	-	37,522
Charge for the year	705	103	2,983	-	3,791
Disposals	(8)	(9)	(2,215)	-	(2,232)
At 31 December 2013	**8,398**	**453**	**30,230**	**-**	**39,081**
Net book value					
At 31 December 2013	**20,609**	**372**	**11,104**	**2,999**	**35,084**
At 31 December 2012	20,927	327	10,694	1,118	33,066

Future capital expenditure

	2013 £'000	2012 £'000
Contracted for but not provided in the accounts	**665**	333
Committed	**201**	350

10. FIXED ASSET INVESTMENTS

	Shares in Subsidiary Undertakings £'000	Freehold Land £'000	Total £'000
Cost			
At 1 January and 31 December 2013	3,317	55	3,372

Summary of interests in subsidiary undertakings

Name	Country of Incorporation	Class of Shares held	Percentage of Shares held	Nature of Business
Ajax Electrical Limited	UK	Ordinary	100%	Dormant
Sarel Limited	UK	Ordinary	99.9%	Dormant

In the opinion of the directors, the value of the company's investment in its subsidiary undertakings is not less than that at which it is stated in these accounts.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

11. STOCKS

	2013 £'000	2012 £'000
Raw materials and consumables	**9,254**	10,083
Work in progress	**6,099**	6,521
Long term contract balances	**7,929**	3,776
Finished goods	**29,564**	28,805
	52,846	49,185

12. DEBTORS

	2013 £'000	2012 £'000
Trade debtors	**129,332**	131,933
Amounts recoverable on contracts	**15,843**	16,988
Amounts owed by group undertakings	**194,948**	194,111
Other debtors	**893**	2,220
Corporation tax debtor	**3,806**	-
Prepayments and accrued income	**3,826**	2,526
	348,648	347,778

Amounts owed by group undertakings include an amount of £39,597,000 (2012: £44,630,000) which bears interest at Libor plus 0.5%. This amount is repayable on demand. The remainder of amounts owed by group undertakings are interest free and are repayable in accordance with standard trading terms.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Bank overdraft	**7**	455
Trade creditors	**54,705**	49,049
Amounts owed to group undertakings	**54,983**	52,946
Corporation tax	**-**	2,433
Other taxation and social security	**16,583**	18,138
Long term contract payments on account	**15,028**	9,049
Other creditors and accruals	**44,396**	44,015
	185,702	176,085

The amounts owed to group undertakings are interest free and repayable in accordance with standard trading terms.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

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

	2013 £'000	2012 £'000
Amounts owed to group undertakings	**208,256**	202,025

Amounts owed to group undertakings include an amount of £112,836,000 (2012: £114,482,000) which bears interest at Libor plus 1%, this amount is payable in full on 8 March 2017. All other amounts do not bear interest and have no fixed repayment terms.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £'000	Maintenance and warranty provisions £'000	Contract loss provisions £'000	Property provision £'000	Reorganisation provision £'000	Total £'000
Balance at 1 January	747	16,317	397	828	80	18,369
Created	181	3,587	1,162	736	3,525	9,191
Additions	(34)	16	-	-	-	(18)
Utilised	-	(4,838)	(659)	(114)	(1,513)	(7,124)
Released	-	(1,906)	(238)	(170)	-	(2,314)
At 31 December	**894**	**13,176**	**662**	**1,280**	**2,092**	**18,104**

Maintenance and warranty provisions
Warranties are provided in the normal course of business based on an assessment of future claims with reference to past claims experience. Such costs are generally incurred within two years of the balance sheet date. Additional specific warranties are provided where liabilities for known product defects exist.

Contract loss provisions
Provision is made for all losses on contracts as soon as they are known. Such costs are generally incurred within two years of the balance sheet date.

Reorganisation provision
This includes a provision for staff redundancies £898,000 (2012: £80,000) which is expected to be settled within the next 12 months. There is also a provision to fully fund the pension scheme for staff that have been made redundant of £985,000 (2012: £Nil).

Property provision
This includes £168,000 (2012: £59,000) for dilapidations on leasehold property, £Nil (2012: £112,000) for future lease payments on vacant leasehold properties and £657,000 (2012: £657,000) for environmental risks. These amounts are expected to be settled within five years.

Deferred tax liability

There are no amounts of unprovided deferred tax. The composition of the balance of deferred taxation is:

	2013 £'000	2012 £'000
Accelerated capital allowances	**1,761**	1,855
Other short term timing differences	**(867)**	(1,108)
Deferred tax liability at 31 December	**894**	747

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

15. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Movement in the deferred tax balance during the year was as follows:

	2013 £'000	2012 £'000
Provision/(asset) at 1 January	**747**	(234)
Additions during the year	**(34)**	(31)
Deferred tax (charge)/credit in profit and loss account for the year	**181**	1,012
Provision at 31 December	**894**	747

16. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Ordinary shares of £1 each:		
Authorised	**60,000**	60,000
Allotted and fully paid	**60,000**	60,000

17. RESERVES

	Profit and loss account £'000
Balance at 1 January	28,553
Profit for the financial year	20,283
Dividend Paid	(27,190)
Actuarial gain recognised in defined benefit pension schemes	19,415
Deferred tax on actuarial gain recognised in defined benefit pension schemes	(7,260)
Balance at 31 December	33,801

A dividend was paid during the year £27,190,000 (2012: £Nil), this represents 45.317p per share (2012: Nil per share).

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2013 £'000	2012 £'000
Profit for the year	**20,283**	39,115
Actuarial gains/(losses) recognised in defined benefit pension schemes	**12,155**	(34,352)
Dividend paid	**(27,190)**	-
Net addition to shareholders' funds	**5,248**	4,763
Opening shareholders' funds	**88,553**	83,790
Closing shareholders' funds	**93,801**	88,553

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

19. PENSION SCHEME

During the year the company was party to three pension schemes for the majority of its employees as follows:

- Schneider Pension Plan – defined benefit final salary scheme
- Electricity Supply Pension Scheme – defined benefit final salary scheme
- Schneider DC Trust Scheme – money purchase scheme

The assets of the schemes are held under trust and are managed by outside investment managers. The defined benefit schemes (which are closed to new members) are funded to cover future pension liabilities in respect of service up to the balance sheet date. It is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rates of the employer's contributions.

The actuarial position of the defined benefit schemes required under FRS17 has been calculated by qualified independent actuaries based on the most recent full actuarial valuation at 6 April 2012 and updated to 31 December 2013.

The defined contribution scheme charge for the year was £5,670,000 (2012: £3,183,000). At 31 December all contributions have been paid to the pension schemes. The contributions paid to each scheme during 2014 are expected to be similar to those paid in 2013.

A summary of the two defined benefit final salary schemes is set out below:

Analysis of the pension liability:

	ESPS Scheme £'000	**SPP Scheme £'000**	**2013 £'000**	ESPS Scheme £'000	SPP Scheme £'000	2012 £'000
Total Market Value of Assets	**20,182**	**250,659**	**270,841**	17,060	221,255	238,315
Present value of Scheme Liabilities	**(22,709)**	**(314,398)**	**(337,107)**	(20,428)	(309,425)	(329,853)
Deficit in the scheme	**(2,527)**	**(63,739)**	**(66,266)**	(3,368)	(88,170)	(91,538)
Related deferred tax Asset	**505**	**12,746**	**13,251**	775	20,279	21,054
Net Pension Liability	**(2,022)**	**(50,993)**	**(53,015)**	(2,593)	(67,891)	(70,484)

Analysis of the amount charged to operating profit:

	ESPS Scheme £'000	**SPP Scheme £'000**	**2013 £'000**	ESPS Scheme £'000	SPP Scheme £'000	2012 £'000
Current Service cost of defined benefit schemes	**154**	**-**	**154**	136	-	136
Past Service cost	**635**	**-**	**635**	-	-	-
Total operating (credit)/cost	**789**	**-**	**789**	136	-	136

Analysis of the amount charged to other finance income:

	ESPS Scheme £'000	**SPP Scheme £'000**	**2013 £'000**	ESPS Scheme £'000	SPP Scheme £'000	2012 £'000
Expected return on pension scheme assets	**(932)**	**(9,641)**	**(10,573)**	(976)	(10,350)	(11,326)
Interest on pension scheme liabilities	**869**	**13,109**	**13,978**	856	12,952	13,808
Net return	**(63)**	**3,468**	**3,405**	(120)	2,602	2,482

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

19. PENSION SCHEME (CONTINUED)

Analysis of amounts in statement of total recognised gains and losses (STRGL):

	ESPS Scheme £'000	SPP Scheme £'000	2013 £'000	ESPS Scheme £'000	SPP Scheme £'000	2012 £'000
Actuarial return less expected return on pension scheme assets	2,158	19,414	21,572	561	(4,862)	(4,301)
Actuarial loss/(gain) arising on the scheme liabilities	(455)	(4,258)	(4,713)	-	(8,778)	(8,778)
Changes in assumptions underlying the present value of the scheme liabilities	(744)	3,300	2,556	(2,330)	(28,257)	(30,587)
Actuarial gain/(loss) recognised	959	18,456	19,415	(1,769)	(41,897)	(43,666)

Schneider Pension Plan

The financial assumptions used at 31 December 2013 in respect of the Schneider Pension Plan were:

	2013 % per annum	2012 % per annum	2011 % per annum
Rate of increase in salaries	3.00	2.75	3.00
Rate of increase in pensions in payment	2.75	2.50	2.75
Discount rate - AA Corporate bond yield	4.50	4.30	4.90
Inflation	2.75	2.50	2.75
Mortality - pensioners	95%/90% S1PxA CMI_2011 1.25% trend	95%/90% S1PxA CMI_2011 1.25% trend	105%PxA92 MC 0.5%floor
Mortality - non-pensioners	95%/90% S1PxA CMI_2011 1.25% trend	95%/90% S1PxA CMI_2011 1.25% trend	105%PxA92 MC 0.5%floor

The assets in the scheme and the expected rate of return were:

	2013 long term rate of return expected %	2013 Market value £'000	2012 long term rate of return expected %	2012 Market value £'000	2011 long term rate of return expected %	2011 Market value £'000
Bonds - government	3.45	126,195	2.30	115,865	2.70	111,925
Equities	7.95	114,576	6.80	92,304	7.20	91,830
Property	7.95	4,978	6.80	8,364	7.20	9,495
Cash	3.00	4,918	3.00	4,722	3.00	2,240
Total market value of assets		250,667		221,255		215,940

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

19. PENSION SCHEME (CONTINUED)

The analysis of the pension liability is set out below:

	2013 £'000	2012 £'000
Total market value of assets	**250,659**	221,255
Present value of scheme liabilities	**(314,398)**	(309,425)
Deficit in the scheme	**(63,739)**	(88,170)
Related deferred tax asset	**12,746**	20,279
Net pension liability	**(50,993)**	(67,891)

Analysis of the amount charged to operating profit:

	2013 £'000	2012 £'000
Current service cost	-	-
Curtailment gain	-	-
Total operating (credit)/cost	-	-

Analysis of the amount charged to other finance income:

	2013 £'000	2012 £'000
Expected return on pension scheme assets	**(9,641)**	(10,350)
Interest on pension scheme liabilities	**13,109**	12,952
Net return	**3,468**	2,602

Analysis of amounts recognised in statement of total recognised gains and losses (STRGL):

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	**19,414**	(4,862)
Actuarial loss/(gain) arising on the scheme liabilities	**(4,258)**	(8,778)
Changes in assumptions underlying the present value of the scheme liabilities	**3,300**	(28,257)
Actuarial gain/(loss) recognised	**18,456**	(41,897)

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

19. PENSION SCHEME (CONTINUED)

Reconciliation of assets over the year:

	2013 £'000	2012 £'000
Assets at 1 January	**221,255**	215,490
Transfer from TAC Pension Plan	**-**	3,380
Employer contributions	**9,450**	4,500
Benefits paid	**(9,094)**	(8,681)
Expected return on plan assets	**9,641**	11,428
Actuarial loss	**19,414**	(4,862)
Assets at 31 December	**250,666**	221,255

Reconciliation of liabilities over the year:

	2013 £'000	2012 £'000
Liabilities at 1 January	**(309,425)**	(263,661)
Transfer from TAC Pension Plan	**-**	(4,458)
Interest cost	**(13,109)**	(12,952)
Benefits paid	**9,094**	8,681
Change in assumptions	**3,300**	(28,257)
Actuarial (loss)/gain	**(4,258)**	(8,778)
Liabilities at 31 December	**(314,398)**	(309,425)

History of experience gains and losses	2013	2012	2011	2010	2009
Difference betweeen the expected and actual return on scheme assets (£'000)	**19,414**	404	(1,369)	13,180	12,534
Percentage of scheme assets	**7.70%**	-0.02%	-0.06%	6.30%	6.60%
Experience (losses)/gains on scheme liabilities (£'000)	**(4,258)**	(13,236)	(3,064)	9,261	(508)
Percentage of the present value of the scheme liabilities	**-1.40%**	-4.30%	-1.20%	3.70%	0.20%
Total amount recognised in statement of total recognised gains and losses (£'000)	**18,456**	(41,897)	(9,843)	11,560	(35,821)
Percentage of the present value of the scheme liabilities	**-5.90%**	13.50%	3.70%	4.60%	14.50%

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

19. PENSION SCHEME (CONTINUED)

Sensitivity of Liabilities	Decrease in assumption £'000	Central £'000	Increase in assumption £'000
2013 basis liability		(314,400)	
Deficit		(63,700)	
Liability after 0.5% decrease/increase to discount rate	(345,800)		(287,000)
Revised deficit	(95,100)		(36,300)
Liability after 0.5% decrease/increase to inflation rate	(291,100)		(340,400)
Revised deficit	(40,400)		(89,700)
Liability after increasing life expectancy by 1 year			(324,300)
Revised deficit			(73,600)

Electricity Supply Pension Scheme

The financial assumptions used at 31 December 2013 in respect of this scheme were:

	2013 % per annum	2012 % per annum
Rate of increase in salaries	2.75	not applicable
Rate of increase in pensions in payment	2.75	2.80
Discount rate - AA Corporate bond yield	4.50	2.50
Inflation	2.75	2.50
Mortality - pensioners	S1PxA 'CMI_2012 '1.50% trend	90% S1PxA_H CMI 2011 1.25% trend
Mortality - non-pensioners	'S1PxA 'CMI_2012 '1.50% trend	90% S1PxA_H CMI 2011 1.25% trend

The assets in the scheme and the expected rate of return were:

	2013 long term rate of return expected %	2013 Market value £'000	2012 long term rate of return expected %	2012 Market value £'000
Equities	7.95	13,586	6.80	11,202
Bonds - fixed interest gilts	3.45	2,102	2.30	1,945
Bonds - index linked gilts	3.45	2,318	2.30	1,923
Bonds - corporate	4.40	2,102	4.10	1,945
Cash	3.00	74	3.00	45
Total market value of assets		20,182		17,060

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

19. PENSION SCHEME (CONTINUED)

The analysis of the pension liability is set out below:

	2013 £'000	2012 £'000
Total market value of assets	20,182	17,060
Present value of scheme liabilities	(22,709)	(20,428)
Deficit in the scheme	(2,527)	(3,368)
Related deferred tax asset	505	775
Net pension liability	(2,022)	(2,593)

Analysis of the amount charged to operating profit:

	2013 £'000	2012 £'000
Current service cost of defined benefit schemes	154	136
Past service cost	635	-
Net return	789	136

Analysis of the amount charged to other finance income:

	2013 £'000	2012 £'000
Expected return on pension scheme assets	(932)	(976)
Interest on pension scheme liabilities	869	856
Net return	(63)	(120)

Analysis of amounts recognised in statement of total recognised gains and losses (STRGL):

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	2,158	561
Actuarial loss/(gain) arising on the scheme liabilities	(455)	-
Changes in assumptions underlying the present value of the scheme liabilities	744	(2,330)
Actuarial gain/(loss) recognised	959	(1,769)

Reconciliation of assets over the year:

	2013 £'000	2012 £'000
Assets at 1st January	17,060	15,852
Employer contributions	608	613
Employee contributions	35	37
Benefits paid	(611)	(979)
Expected return on plan assets	932	976
Actuarial gains	2,158	561
Assets at 31 December	20,182	17,060

19. PENSION SCHEME (CONTINUED)

Reconciliation of liabilities over the year:

	2013 £'000	2012 £'000
Liabilities at 1st January	**(20,428)**	(18,048)
Operating credit/(charge)	**(789)**	(136)
Interest cost	**(869)**	(856)
Employee contributions	**(35)**	(37)
Benefits paid	**611**	979
Change in assumptions	**(744)**	(2,330)
Actuarial (loss)/gain	**(455)**	-
Liabilities at 31 December	**(22,709)**	(20,428)

History of experience gains and losses	**2013**	2012
Difference betweeen the expected and actual return on scheme assets (£'000)	**2,158**	561
Percentage of scheme assets	**10.70%**	3.30%
Experience (losses)/gains on scheme liabilities (£'000)	**(455)**	-
Percentage of the present value of the scheme liabilities	**2.00%**	0.00%
Total amount recognised in statement of total recognised gains and losses (£'000)	**959**	(1,769)
Percentage of the present value of the scheme liabilities	**4.20%**	8.70%

Sensitivity of Liabilities	**Decrease in assumption £'000**	**Central £'000**	**Increase in assumption £'000**
Basis liability on acquisition		**(22,709)**	
Deficit		**(2,527)**	
Liability after 0.5% decrease/increase to discount rate	**(25,108)**		**(20,629)**
Revised deficit	**(4,926)**		**(447)**
Liability after 0.5% decrease/increase to inflation rate	**(20,713)**		**(24,956)**
Revised deficit	**(531)**		**(4,774)**
Liability after increasing life expectancy by 1 year			**(23,208)**
Revised deficit			**(3,026)**

Since the adoption of Financial Reporting Standard 17 "Retirement benefits" in 2005 a cumulative actuarial loss of £53,693,000 had been recognised in the STRGL (2012: £34,278,000).

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2013

20. OPERATING LEASE COMMITMENTS

At 31 December 2013, the Company had annual commitments under non-cancellable operating leases as set out below:

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	400	651	408	2,062
Between two and five years	2,263	2,880	1,652	2,304
Over five years	326	-	1,169	-
	2,989	3,531	3,229	4,366

21. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The company uses derivatives to hedge its exposures to changes in foreign currency exchange rates. At 31 December 2013 the Company had forward exchange contracts to purchase and sell currency as detailed below:

	2013		2012
	Principle Value	Fair Value	Principle Value
	£'000	£'000	£'000
Purchase currency	10,720	10,764	14,077
Sell currency	10,426	10,439	17,996

The Company has not been able to obtain reliable information to determine the fair value of the derivatives for the comparative year end.

22. CONTINGENT LIABILITIES

At 31 December 2012 the company has outstanding bills, guarantees and indemnities in favour of customers totalling £7,777,453 (2011: £12,232,000).

23. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Financial Reporting Standard (FRS) 8 'Related Party Transactions' and not disclosed transactions with other group undertakings.

24. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party is Schneider Electric S.A., a company incorporated in France. It has included the Company in its consolidated financial statements, copies of which are available from 35 Rue Joseph Monier, CS 30323, 92506 Rueil-Malmaison Cedex, France.