

**STEARN ELECTRIC COMPANY  
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021



Company no. 00201097

# **STEARN ELECTRIC COMPANY LIMITED**

## **FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

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**Company registration number:** 00201097 (Incorporated in England)

**Registered office:** Votec House  
Hambridge Lane  
Newbury  
Berkshire  
RG14 5TN

**Directors:** N J Palmer  
S Westbrook  
L Yu

**Secretary:** L Yu

**Independent auditor:** Fiander Tovell Limited  
Stag Gates House  
63/64 The Avenue  
Southampton  
Hampshire  
SO17 1XS

# STEARN ELECTRIC COMPANY LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 December 2021

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# STEARN ELECTRIC COMPANY LIMITED

## STRATEGIC REPORT

For the year ended 31 December 2021

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The directors present their Strategic Report for the year ended 31 December 2021.

### Principal activity

The principal activity of the company during the year was the distribution, installation and leasing of electrical goods.

### Business review and financial key performance indicators

The principal objective of the company continues to be the delivery of sustainable, responsible and profitable business growth through a strategy of optimum use of the company's expertise in products and local market conditions.

The directors use a number of measures, both financial and non-financial, to monitor and benchmark the performance of the company. They regard the following as the key financial indicators of performance.

The increase in sales of 13.8% from £176.0m to £200.2m largely as a result of recovery from the Covid-19 pandemic and organic growth. The business worked closely with our customers and suppliers to maximise the available opportunities in the market. In addition to this, the business remains affected by sales of temperature control products that benefit from more extreme weather which the business has benefitted from.

Despite the increase in sales, the business remained focussed on operating costs and cost containment. This meant that the impact of operating costs that are related to the levels of business activity were minimised with total operating costs increasing from £162.9m to £183.5m and operating profit increasing from £13.1m to £16.8m.

The company employed an average of 334 people during the year (2020: 355). The reduction in headcount was mainly due to efficiencies obtained in operational processes through use of new technology.

Net assets increased from £99.2m to £112.8m and net current assets increased from £97.3m to £111.2m.

The business has remained strongly cash generative with the company's cash level, net of intercompany loans, increasing from £71.1m to £72.9m at the respective year ends. This continued increase in cash generation allows ongoing investment in the business from retained profits throughout the year and the financing of working capital requirements during peak trading.

The directors believe the business is in a sound position at the year-end and is well placed to meet the challenges of the year ahead. Despite the uncertainty of inflationary increases on input prices and costs, the business continues to perform strongly and has honoured all ongoing liabilities from cash reserves which remains strong. The markets in which we operate have shown signs of some recovery but uncertainty remains and therefore ongoing review of our cost base continues, as well as seeking out new markets and other opportunities including realising the potential of the digital market place. The directors do not therefore anticipate any major changes in the company's strategy for the year ahead but they remain vigilant for any significant impact to the market environment as a result of the pandemic and inflationary pressures. The directors believe the business' prospects are good.

### S172(1) Statement

The board of directors of Stearn Electric Company Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Act) in the decisions taken during the year ended 31 December 2021.

Our key stakeholders are our employees, customers and suppliers, the community and environment. These are considered our key stakeholders as they have the most impact on the long-term success of our business.

# STEARN ELECTRIC COMPANY LIMITED

## STRATEGIC REPORT

For the year ended 31 December 2021

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### S172(1) Statement (continued)

Below are examples of how the Directors engage with key stakeholders:

#### *Employees*

As explained in the Report of the Directors, the involvement of employees is vital to our businesses and the directors keep them informed on matters affecting them as employees and the various factors affecting the performance of the Company. Employee representatives are consulted regularly on a range of matters concerning their interests. The directors also maintain an open-door policy and all employees are encouraged to bring forward their views on all aspects of the Company. The directors consider the above to be effective as it provides a platform for a two-way communication where concerns and ideas can be passed upward where necessary, so that the business can take advantage of opportunities quickly. This also enables key decisions to be taken with the benefit of local feedback.

#### *Customers and Suppliers*

The directors place considerable value on the engagement of customers and suppliers in making decisions taking on board their views and insights through regular dialogue and meetings. We operate on a multi-branch business basis with a high level of decentralisation backed up by strong controls and a reward structure that is based on local performance and individual contribution. Our strategy is to provide the highest possible service to customers. The ability of our branch managers to determine all aspects of their business ensures they are strongly focused on providing the best service to their customers, supporting our key suppliers to get their products to market and employing, retaining and rewarding a high-quality team. We also host customer and supplier events at local and national level, including training for both customers and staff. We work together with our customers and suppliers for the mutual success of our respective businesses. The above aids the achievement of our key performance indicators because by supporting our customers and suppliers' efforts to bring products to market at fair prices, with rigorous quality control and high levels of availability, we ensure that we maximise the opportunities we have for our mutual interests whilst observing our mutual responsibilities to the wider community and environment.

The success of the above is measured using our key performance indicators of turnover and operating income. These key performance indicators, together with customer and supplier feedback were useful early warning indicators that helped the business identify the issues noted in the business review and appropriate action, such as focus on cost reduction, were taken which helped us to take advantage of seasonal variations.

#### *Community and Environment*

In formulating our plan, we took into account the impact of the Company's operations on the community and environment, our wider social responsibilities, and in particular how we comply with legislation and react promptly to local community concerns such as giving staff time-off to perform voluntary activities to help local charitable causes.

As the board of directors, our intention is to behave responsibly and ensure that the management team operate our businesses in a responsible manner, operating within the high standards of business conduct and good governance expected for a Company such as ours and in doing so, will contribute to long term success of our Company. This is achieved through training, management having regular dialogue with our teams and monitoring through our internal audit function. The intention is to nurture our reputation, through our actions, that reflects our responsible behaviour.

The regular engagement by the directors with all stakeholders such as those described above enables the directors to enhance their awareness of the market, improve decision making and promote the long-term success of the Company more effectively and observe the principles of s172.

# STEARN ELECTRIC COMPANY LIMITED

## STRATEGIC REPORT

For the year ended 31 December 2021

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### Principal risks and uncertainties

The directors are responsible for the company's risk management procedure. The directors monitor risks facing the business and identifies any that are emerging. The directors recognise that it is ultimately responsible for the actions that are taken and reserves certain key decisions such as senior appointments, funding of operations and acquisitions. The directors work with the operational management team to ensure that risks are identified and appropriately managed, in accordance with defined policies and procedures, and that there are clear responsibilities for this. There is an active programme of internal audit which monitors compliances with our standard practice instructions.

The main risks and uncertainties facing the company can be summarised as:

- **Changes in the economic environment**

Contingency plans are used for recession or rapid downturn of our core market. Our key performance indicators act as early warning signals; and focuses on risks affecting our level of business, overheads and working capital.

- **Product demand and obsolescence**

Working closely with and taking into account feedback from our customers, suppliers and colleagues means we are best placed to understand and react according to sudden changes in product demand and technological development. An example was early indication of potential supply issues due to Covid-19 meant we were able to review our stock levels early on and take on contingency levels of stock.

- **Competitor action**

We work closely with our customers and suppliers for the mutual success of our respective businesses and build strong relationships with these key stakeholders. The feedback from these key stakeholders and our key performance indicators help the directors to review the impact of key decisions and to reconsider them where it is appropriate to do so.

- **Credit risk**

Credit risk is described in the Report of the Directors.

The above are important as they individually and combined could have a significant impact on the operations, cashflow and performance of the business. The directors regularly review and agree policies for managing each of these risks. This review is based on the steps described above and also through our understanding of the industry, regulation, working with our customers and suppliers and seeking professional advice where appropriate. The directors' objective is to minimise the possibility of these risks impacting our business and to mitigate them wherever possible. These policies remain unchanged from previous years.

In addition to the above, the impact of inflationary increases and supply chain issues are also areas of review. The directors are monitoring the impact of the inflationary increases to operations and the customer base. The directors have put in place contingency plans in order to cope with any challenges this may cause. The business has long standing relationships with its key suppliers and work closely with the supply chain to ensure minimal adverse impact on operations in the event of unexpected situations occurring.

BY ORDER OF THE BOARD

  
L Yu  
Secretary  
Company registration: 00201097

23/09/22

# STEARN ELECTRIC COMPANY LIMITED

## REPORT OF THE DIRECTORS

For the year ended 31 December 2021

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The directors present their report and the audited financial statements for the year ended 31 December 2021.

### Results and dividends

The trading results for the year, and the company's financial position at the end of the year, are shown in the attached financial statements. There was a profit for the year after taxation amounting to £13.4m (2020: £10.8m).

The directors do not recommend the payment of a dividend to the parent company (2020: £9.0m).

### Financial risk management objectives and policies

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the company's financial instruments are market risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies remain unchanged from previous years.

#### *Market risk*

The company is exposed to foreign exchange risk on certain transactions. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge, the company does not adopt an accounting policy of hedge accounting for these financial statements. There were no hedging arrangements in place as at 31 December 2021 and 31 December 2020.

#### *Liquidity risk*

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved through support from the parent company.

#### *Credit risk*

The company's principal financial assets are cash and trade debtors. The credit risk associated with the company's cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk, the directors set a policy of monitoring exposure with customers based on a combination of payment history and third party credit references. Exposure levels are reviewed by senior management on a regular basis in conjunction with debt ageing and collection history.

### Recruitment and employee relations

Recruitment policies are designed to ensure equal opportunity of employment regardless of age, race or sex. Appropriate consideration is given to disabled applicants in offering employment.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

# **STEARN ELECTRIC COMPANY LIMITED**

## **REPORT OF THE DIRECTORS**

For the year ended 31 December 2021

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### **Recruitment and employee relations (continued)**

The company places considerable importance on maintaining good relations with employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employee representatives are consulted regularly on a range of matters affecting their interests.

### **Business relationships**

The S172(1) statement in the strategic report provides details of how the directors have had regard to the need to foster business relationships with suppliers, customer and other stakeholders during the year.

### **Future developments**

An indication of future developments of the business is included in the strategic report.

### **Environmental policies**

We continue to review our environmental policies, in particular the Waste from Electrical and Electronic Equipment directives, and seek at all times to meet our legal obligations in this regard. Where appropriate, professional advice is taken.

### **Directors**

The present membership of the Board, and listing of directors who served during the year, is set out below:

N J Palmer  
S Westbrook  
L Yu

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report and Report of the Directors, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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



# STEARN ELECTRIC COMPANY LIMITED

## REPORT OF THE DIRECTORS

For the year ended 31 December 2021

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### Directors' responsibilities statement (continued)

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 to 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.

### Provision of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the Strategic Report and Report of the Directors include a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

BY ORDER OF THE BOARD



L Yu  
Secretary

Company registration: 00201097

23/09/22

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEARN ELECTRIC COMPANY LIMITED**

### **Opinion**

We have audited the financial statements of Stearn Electric Company Limited ('the company') for the year ended 31 December 2021 which comprise the principal accounting policies, the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

#### **In our opinion, the financial statements:**

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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.

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.

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Report of the Directors, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEARN ELECTRIC COMPANY LIMITED (CONTINUED)**

### **Other information (continued)**

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

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

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of the directors for the financial statements**

As explained more fully in the directors' responsibilities statement (page 5 - 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEARN ELECTRIC COMPANY LIMITED (CONTINUED)**

### **Auditor's 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 auditor's 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.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, employment, environmental and health and safety legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud.
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

### **Audit response to risks identified**

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships.
- tested journal entries to identify unusual transactions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEARN ELECTRIC COMPANY LIMITED (CONTINUED)**

### **Audit response to risks identified (continued)**

- tested a sample of BACS payments to identify payments being made to unexpected bank accounts.
- performed transactional testing on payroll costs in respect of those employees with responsibility or authority in connection with the payroll function.
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation.
- enquiring of management as to actual and potential litigation and claims.
- reviewing correspondence with HMRC.

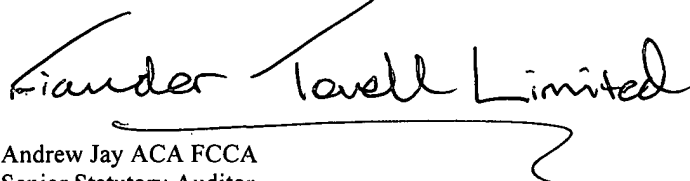
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.



Andrew Jay ACA FCCA  
Senior Statutory Auditor  
For and on behalf of Fiander Tovell Limited  
Statutory Auditor, Chartered Accountants  
Southampton

Date: 23 September 2022

# STEARN ELECTRIC COMPANY LIMITED

## INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 £000s	2020 £000s
<b>Turnover</b>	<b>2</b>	<b>200,215</b>	<b>176,012</b>
<b>Operating profit</b>	<b>3</b>	<b>16,758</b>	<b>13,108</b>
Interest receivable and similar income	4	9	234
Interest payable and similar charges	5	(18)	(29)
Other financial expense	22	(224)	(197)
<b>Profit on ordinary activities before taxation</b>		<b>16,525</b>	<b>13,116</b>
Tax on profit on ordinary activities	8	(3,143)	(2,285)
<b>Profit for the financial year</b>		<b>13,382</b>	<b>10,831</b>

All results derive from continuing operations for both the current year and prior year.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents for both the current year and prior year.

The accompanying accounting policies and notes (pages 15–31) form an integral part of the financial statements.

**STEARN ELECTRIC COMPANY LIMITED****STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2021

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	<b>Note</b>	<b>2021 £000s</b>	<b>2020 £000s</b>
Profit for the financial year		<b>13,382</b>	10,831
Actuarial gain/(loss) relating to the pension scheme	<b>22</b>	<b>8,975</b>	(92)
Effect of asset limit	<b>22</b>	<b>(8,751)</b>	289
Deferred taxation movement on pension fund	<b>15</b>	-	-
		<hr/>	<hr/>
Total comprehensive income for the year		<b>13,606</b>	<b>11,028</b>

The accompanying accounting policies and notes (pages 15-31) form an integral part of the financial statements.

**STEARN ELECTRIC COMPANY LIMITED****BALANCE SHEET AT 31 DECEMBER 2021**

Company No: 00201097

	Note	2021 £000s	2020 £000s
<b>Fixed assets</b>			
Intangible assets	9	122	181
Tangible assets	10	2,778	3,169
		<u>2,900</u>	<u>3,350</u>
<b>Current assets</b>			
Stocks	11	32,342	24,868
Debtors	12	88,924	86,320
Cash at bank		32,890	28,160
		<u>154,156</u>	<u>139,348</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(42,960)</u>	<u>(42,047)</u>
<b>Net current assets</b>		<u>111,196</u>	<u>97,301</u>
<b>Total assets less current liabilities</b>		<u>114,096</u>	<u>100,651</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	(220)	(381)
<b>Provisions for liabilities and charges</b>	16	<u>(1,067)</u>	<u>(1,067)</u>
<b>Net assets excluding pension liability</b>		<u>112,809</u>	<u>99,203</u>
<b>Pension asset</b>	22	-	-
<b>Net assets including pension asset</b>		<u>112,809</u>	<u>99,203</u>
<b>Capital and reserves</b>			
Called-up share capital	17	48	48
Profit and loss account		112,761	99,155
<b>Total shareholders' funds</b>		<u>112,809</u>	<u>99,203</u>

The financial statements on pages 11 to 31 were approved and authorised for issue by the board of directors on 23 September 2022 and were signed on their behalf by:



S Westbrook  
Director

The accompanying accounting policies and notes (pages 15-31) form an integral part of the financial statements.



**STEARN ELECTRIC COMPANY LIMITED****STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2021

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	<b>Called-up share capital £000s</b>	<b>Profit and loss account £000s</b>	<b>Total £000s</b>
<b>At 1 January 2020</b>	<b>48</b>	<b>97,127</b>	<b>97,175</b>
Profit for the year	-	10,831	10,831
Total comprehensive income for the year	-	197	197
Dividends Paid	-	(9,000)	(9,000)
<b>At 31 December 2020</b>	<b>48</b>	<b>99,155</b>	<b>99,203</b>
Profit for the year	-	13,382	13,382
Total comprehensive income for the year	-	224	224
Dividends paid	-	-	-
<b>At 31 December 2021</b>	<b>48</b>	<b>112,761</b>	<b>112,809</b>

The accompanying accounting policies and notes (pages 15–31) form an integral part of the financial statements.

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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### 1 ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with applicable UK accounting standards and the Companies Act 2006.

Under the provision of section 400 of the Companies Act 2006 the company is exempt from preparing consolidated financial statements and has not done so, therefore the financial statements show information about the company as an individual entity.

The principal accounting policies are set out below. The preparation of financial statements in compliance with Financial Reporting Standard 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. All figures have been rounded to the nearest one thousand pounds sterling (£1,000).

#### Exemptions for qualifying entities under FRS 102

FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to the use of exemptions by Company's shareholders.

The company has taken advantage of the following exemptions:

##### *Statements of cash flow*

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 3.17(d) on the grounds that a consolidated cash flow statement is included in the financial statements of the Parent.

##### *Financial instruments disclosures*

The Company has taken advantage of the exemption from the financial instruments disclosures required under FRS 102 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures of the Parent.

##### *Key management personnel compensation*

The Company has taken advantage of the exemption from disclosing the Company key management compensation pursuant to FRS 102 33.7

##### *Related party disclosures*

The Company has taken advantage of the exemption from disclosing the related party disclosures pursuant to FRS 102 paragraph 33.7

The company is a wholly-owned subsidiary of Newbury Investments (UK) Limited and is included in the consolidated financial statements of Newbury Investments (UK) Limited, which are publicly available.

#### Going concern

After considering the Company's performance in the year to 31 December 2021, its future prospects and its cash flow forecasts, the Directors have full expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least for a period of twelve months from the date the financial statements are signed. In the unlikely event additional finance is required, Group support is confirmed as available. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

# **STEARN ELECTRIC COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

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### **Goodwill**

Goodwill arising on the acquisition of the trade assets of a business represents the excess of the fair value of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and amortised on a straight-line basis over its estimated useful economic life of between 2 and 10 years from the date of acquisition.

### **Fixed assets**

All assets are initially measured at cost. Cost comprises the initial purchase price plus, where material, any further directly attributable costs in making the asset available for use. In the case of assets held for leasing, any costs incurred subsequent to the asset becoming available for hire, including the costs of delivery of assets to and installation of assets at customer locations, are expensed as incurred.

### **Fixed asset depreciation**

Depreciation is calculated so as to write off the cost of an asset other than freehold land, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold and long leasehold land and buildings - 50 years straight line

Plant and equipment - 4 years straight line

Motor vehicles - 4 years straight line

Office and computer equipment - 4 years straight line

Rental assets - over the life of the lease straight line

Leasehold improvements - over the lower of the life of the lease or 5 years straight line.

Where the split of cost between freehold land and buildings can be reliably calculated, the freehold land element is held at historic cost and is not depreciated.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating charges" in the income statement.

### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete, slow moving and defective items where appropriate. Cost is determined on a first-in, first-out (FIFO) basis which includes the purchase price together with all direct attributable costs and income to bring inventory to its present location and condition.

### **Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Creditors**

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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### **Bank cross guarantee**

The fair value of a financial guarantee contract is calculated as the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee.

### **Turnover**

The turnover shown in the income statement represents amounts in respect of the company's distribution, installation and lease rental businesses.

Turnover in respect of the distribution and installation businesses represents amounts invoiced during the year, exclusive of value added tax. Turnover is recognised when the risk and rewards of ownership of stock are transferred to the customer. For the distribution business, this occurs when the stock is delivered to the customer or is collected by them from the point of sale. As such, invoices are raised on delivery or collection and recognised immediately. For the installation business, turnover is recognised when the goods have been delivered and installed.

Invoices for the initial period of a lease rental are raised once the asset has been delivered to and installed at the customer's location. Invoices are raised for subsequent periods upon or approaching expiration of the preceding period. All operating lease invoicing, exclusive of value added tax, is immediately deferred in full. This income is then recognised on a straight line basis over the period to which the invoice relates.

### **Pension costs**

#### *Defined benefit pension costs*

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial gains and losses'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as an 'Other financial expense'.

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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### **Pension costs (continued)**

A surplus of scheme assets may be recognised to the extent it is recoverable through reduced employer contribution in the future or through a refund. The excess will not be recognisable until such time the scheme is fully wound up. Therefore, the directors do not consider it appropriate to recognise an asset and an asset limit adjustment is applied to restrict the balance to zero.

#### *Defined contribution pension scheme*

The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the income statement in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **Current and deferred taxation**

The tax expense for the year comprises of current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 and the group operate and generate income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by reporting date.

### **Financial instruments**

#### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

# **STEARN ELECTRIC COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

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### **Financial instruments (continued)**

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the Income Statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

#### *Forward exchange contracts*

Forward exchange contracts are used to manage currency fluctuations on stock purchasing in foreign currencies by entering into a forward exchange contract to match the future foreign currency commitment when due. Foreign exchange contracts and the amounts due are valued at the time when the contract is taken out. Any changes in fair value are recognised in the Income Statement.

#### *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

### **Finance lease agreements**

Rentals applicable to finance leases, where substantially all of the benefits and risks of ownership transfer to the lessee, are capitalised and depreciated over the period of the lease.

### **Operating lease agreements**

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

### **Government grants**

#### *Coronavirus Job Retention Scheme*

Government grants relating to claims made under coronavirus job retention scheme are recognised in the income statement in the same period as the costs to which they relate.

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

#### *Property dilapidations and onerous leases*

Under certain operating leases for land and buildings, the company is obligated to make repairs of dilapidations to the leased property upon the expiry of the lease. The company charges an amount to the income statement so that, by the end of the lease, a total provision is accrued that is estimated to be equal to the future costs of those dilapidation obligations. Where repairs are made part way through the lease that will reduce the estimated costs of dilapidation obligations at the expiry of the lease, the costs of those repairs are charged against the dilapidation provision. Where leased properties are vacated the company provides for the best estimate of the future unrecoverable costs of its obligations under those leases.

#### *Stock provisioning*

The company holds stock that is subject to changing industry demands. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of goods. See note (11) for the net carrying amount of the inventory and associated provision movement in the year.

#### *Impairment of debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note (12) for the net carrying amount of the debtors and associated impairment provision movement in the year.

#### *Defined benefit pension scheme*

The calculation of the deficit or surplus on the company's defined benefit pension scheme is based on a number of actuarial assumptions including discount rate, inflation rate and mortality rates, as disclosed in note (22). These assumptions are reviewed regularly by the Directors with the scheme actuary.

## 2 TURNOVER

Turnover is attributable to the principal activity of the company as described in the Report of the Directors.

An analysis of turnover by activity is given below:

	2021 £000s	2020 £000s
Sales of stock	199,697	175,455
Rentals receivable under operating leases	518	557
	<u>200,215</u>	<u>176,012</u>

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3 OPERATING PROFIT

Operating profit is stated after (charging)/crediting:

	2021 £000s	2020 £000s
Change in stocks of finished goods	7,474	(1,587)
Purchase of raw materials and consumables	(161,437)	(135,559)
Exchange differences	656	313
Other external charges	(3,612)	(3,247)
Staff costs (see note 6)	(19,001)	(17,163)
Government grants (see note 1)	16	1,185
Amortisation of intangible fixed assets (see note 9)	(59)	(58)
Depreciation written off owned fixed assets	(920)	(915)
Depreciation written off assets on hire purchase and finance leases	(331)	(365)
Advertising	(666)	(638)
Property operating expenses	(3,462)	(3,123)
Other operating charges	(2,115)	(1,747)
	<u>(183,457)</u>	<u>(162,904)</u>

Other operating charges include but are not limited to stationery, general insurances, computer consumables and group recharges

Operating profit is stated after (charging)/crediting:

	2021 £000s	2020 £000s
Auditor's remuneration		
- Audit fees	(16)	(35)
- Audit of pension scheme	(14)	(12)
- Taxation compliance services	(3)	(4)
Profit on disposal of fixed assets	148	61
Operating lease rentals		
- Plant and machinery	(214)	(140)
- Other	(2,250)	(1,862)

### 4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000s	2020 £000s
Interest on group loan	8	234
Other similar interest receivable	1	-
	<u>9</u>	<u>234</u>



# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 5 INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £000s	2020 £000s
Interest on finance leases	<u>18</u>	<u>29</u>

### 6 EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2021 No.	2020 No.
Administration	87	103
Sales and distribution	<u>247</u>	<u>252</u>
	<u>334</u>	<u>355</u>

The aggregate payroll costs of the above were:

	2021 £000s	2020 £000s
Wages and salaries	16,086	14,393
Social security costs	1,868	1,683
Pension costs (see note 22)	<u>1,047</u>	<u>1,087</u>
	<u>19,001</u>	<u>17,163</u>

### 7 DIRECTORS

Remuneration in respect of directors was as follows:

	2021 £000s	2020 £000s
Emoluments receivable	132	113
Value of company pension contributions to defined contribution scheme	<u>1</u>	<u>1</u>
	<u>133</u>	<u>114</u>

One director (2020: One) had benefits accruing under a defined contribution pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2021 £000s	2020 £000s
Emoluments receivable	<u>71</u>	<u>61</u>
	<u>71</u>	<u>61</u>

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:	2021 £000s	2020 £000s
<b>Current tax:</b>		
UK corporation tax at 19% (2020: 19%)	3,100	2,433
Adjustment in respect of prior periods	30	(23)
Total current tax	3,130	2,410
<b>Deferred Tax:</b>		
Origination and reversal of timing differences	99	(90)
Adjustment for change in future corporation tax rate	(86)	(35)
Total deferred tax	13	(125)
 Tax on profit on ordinary activities	 3,143	 2,285

### TAXATION INCLUDED IN OTHER COMPREHENSIVE INCOME

	2021 £000s	2020 £000s
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
 Total tax movement included in other comprehensive income	 -	 -

### RECONCILIATION OF TAX CHARGE

The tax assessed on the profit on ordinary activities for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%)

	2021 £000s	2020 £000s
Profit on ordinary activities before taxation	16,525	13,116
 Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	 3,140	 2,492
Effect of:		
Expenses not deductible for tax purposes	62	46
Provision tax adjustment	36	83
Depreciation in excess of capital allowances	(140)	(89)
Adjustment in respect of prior periods	30	(23)
Group relief	-	(135)
Timing differences in respect of pension scheme	2	36
Other timing differences	13	(125)
 Tax charge for the year	 3,143	 2,285

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

#### Factors affecting future tax charges

The main rate of UK corporation tax remained at 19% throughout 2021. In the 2021 Finance Bill, which was passed into law on 24 May 2021, it was announced that the Corporation Tax main rate would rise to 25% with effect from 1 April 2023.

### 9 INTANGIBLE FIXED ASSETS

	Goodwill £000s
<b>Cost</b>	
At 1 January 2021 and at 31 December 2021	<u>585</u>
<b>Amortisation</b>	
At 1 January 2021	404
Charge in the year	<u>59</u>
At 31 December 2021	<u>463</u>
<b>Net book value at 31 December 2021</b>	<u>122</u>
Net book value at 31 December 2020	<u>181</u>

### 10 TANGIBLE FIXED ASSETS

	Freehold and long leasehold £000s	Plant and Equipment £000s	Rental assets £000s	Motor vehicles £000s	Office and Computer equipment £000s	Leasehold improvements £000s	Total £000s
<b>Cost</b>							
At 1 January 2021	326	3,325	1,362	1,765	830	2,007	9,615
Additions	-	625	109	64	65	49	912
Transfers in	-	-	-	57	-	-	57
Transfers out	-	-	-	(78)	-	-	(78)
Disposals	-	(419)	(149)	(330)	(21)	-	(919)
At 31 December 2021	<u>326</u>	<u>3,531</u>	<u>1,322</u>	<u>1,478</u>	<u>874</u>	<u>2,056</u>	<u>9,587</u>
<b>Depreciation</b>							
At 1 January 2021	161	2,234	964	1,047	741	1,299	6,446
Charge for the year	5	503	155	331	49	208	1,251
Transfers in	-	-	-	42	-	-	42
Transfers out	-	-	-	(51)	-	-	(51)
Disposals	-	(380)	(148)	(330)	(21)	-	(879)
At 31 December 2021	<u>166</u>	<u>2,357</u>	<u>971</u>	<u>1,039</u>	<u>769</u>	<u>1,507</u>	<u>6,809</u>
<b>Net book value at 31 December 2021</b>	<u>160</u>	<u>1,174</u>	<u>351</u>	<u>439</u>	<u>105</u>	<u>549</u>	<u>2,778</u>
Net book value at 31 December 2020	<u>165</u>	<u>1,091</u>	<u>398</u>	<u>718</u>	<u>89</u>	<u>708</u>	<u>3,169</u>

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 10 TANGIBLE FIXED ASSETS (CONTINUED)

Included within freehold and long leasehold is £100,000 (2020: £100,000) relating to freehold land that is not being depreciated.

Included within motor vehicles is £1,478,000 (2020: £1,765,000) and £439,000 (2020: £718,000) relating to cost and net book value relating to leased automobiles. The depreciation charged in respect of these assets during the year amounted to £331,000 (2020: £365,000).

### 11 STOCKS

	2021 £000s	2020 £000s
Finished goods	32,342	24,868

An impairment reversal of £122,000 (2020: £101,000 charge) was recognised in cost of sales during the year.

### 12 DEBTORS

	2021 £000s	2020 £000s
Trade debtors	33,951	31,214
Amounts owed by group undertakings	48,772	51,617
Corporation tax receivable	-	132
Deferred taxation (see note 15)	259	272
Other debtors	5,080	2,273
Prepayments and accrued income	862	812
	88,924	86,320

Amounts owed by group undertakings are unsecured, repayable on demand and interest bearing at a rate equal to 1.5% above the NatWest Bank Plc's base rate.

An impairment charge of £170,000 (2020: £179,000 charge) was recognised within trade debtors.

### 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000s	2020 £000s
Trade creditors	16,966	19,536
Amount owed to group undertakings	8,808	8,713
Corporation tax payable	7	-
Other taxation and social security	2,568	1,444
Other creditors	283	190
Finance lease creditor (see note 20)	270	355
Accruals and deferred income	13,956	11,715
Pension contributions	102	94
	42,960	42,047

Amounts owed to group undertakings are unsecured, repayable on demand and interest bearing at a rate of 1.5% above the NatWest Bank Plc's base rate.

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

	2021 £000s	2020 £000s
Other creditors	60	-
Finance lease creditor (see note 20)	160	381
	<u>220</u>	<u>381</u>

### 15 DEFERRED TAXATION

The movement in the deferred taxation account during the year was:

	2021 £000s	2020 £000s
At the beginning of the year	272	147
Income statement movement arising during the year	(99)	90
Adjustment in respect of prior periods	-	35
Impact of change in deferred tax rate	86	-
	<u>259</u>	<u>272</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2021 £000s	2020 £000s
Capital allowances and depreciation	43	145
Other timing differences	216	127
	<u>259</u>	<u>272</u>
Total provision for deferred tax (excluding pension scheme)	259	272
Deferred tax asset on pension scheme	-	-
	<u>259</u>	<u>272</u>

At 31 December 2021 the company had no capital losses (2020: £nil) available for future use. The company has not recognised any deferred tax asset in respect of this amount as the losses that may be used in the foreseeable future cannot be reliably estimated.

#### Factors affecting future tax charges

The main rate of UK corporation tax remained at 19% throughout 2021. In the 2021 Finance Bill, which was passed into law on 24 May 2021, it was announced that the Corporation Tax main rate would rise to 25% with effect from 1 April 2023.

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 16 PROVISIONS FOR LIABILITIES AND CHARGES

	2021 £000s	2020 £000s
<b>Property dilapidations</b>		
At the beginning of the year	1,067	983
Income statement charge	99	86
Amount utilised in year	(99)	(2)
	<u>1,067</u>	<u>1,067</u>
At the end of the year	1,067	1,067

A provision has been made for the expected reinstatement costs for all leased properties. The settlement timing of these obligations is dependent upon the remaining lease terms.

### 17 SHARE CAPITAL

	2021 £000s	2020 £000s
<b>Allotted, called up and fully paid</b>		
48,000 ordinary shares of £1 each	<u>48</u>	<u>48</u>

### 18 CAPITAL COMMITMENTS

The company had capital commitments of £1,127,000 at 31 December 2021 (2020: £495,000) in respect of capital projects entered into but which had not been completed at the year end. All capital commitments related to property, plant and equipment.

### 19 CONTINGENT LIABILITIES

#### BANK CROSS GUARANTEE

There is an unlimited cross guarantee between the company, Newbury Investments (UK) Limited, Decco Limited, Deta Electrical Company Limited, Norbain Holdings Limited, Primaflow Limited, Ryness Electrical Supplies Limited, UK Cables Limited, UK Electric Limited and UK Test Instruments Limited in favour of NatWest Bank Plc. The obligation under this guarantee at 31 December 2021 was £nil (2020: £nil).

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 19 CONTINGENT LIABILITIES (CONTINUED)

#### CONTINGENT CHARGE

Upon closing the defined benefit pension scheme to future accrual, the principal employers of the scheme came to an agreement with the Trustees to register a contingent charge over assets to protect members in the unlikely event of insolvency. This contingent charge will therefore only become non-contingent if the company becomes insolvent.

As at the date of signing these financial statements the directors consider the possibility of the charge becoming non-contingent as being remote. The obligation under this contingent charge, as at the date of signing of these financial statements is £nil (2020: £nil). The maximum amount recoverable under this charge is limited to £1,250,000 (2020: £1,250,000).

There were no other contingent liabilities at 31 December 2021 or at 31 December 2020.

### 20 LEASING COMMITMENTS

At the end of the year the company had future minimum lease payments under non-cancellable operating leases for:

	2021 £000s	2020 £000s
<b>Land and buildings:</b>		
Within one year	1,933	1,796
Between one and five years	6,480	6,548
More than five years	3,602	5,143
	<u>12,015</u>	<u>13,487</u>
<b>Finance leases:</b>		

The company's future minimum finance lease payments are as follows:

	2021 £000s	2020 £000s
Within one year	278	373
Within two to five years	164	391
	<u>442</u>	<u>764</u>
Less: finance charges included above	<u>(12)</u>	<u>(28)</u>
	<u>430</u>	<u>736</u>

Certain plant and machinery and motor vehicles are held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases. The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

The company leases plant to customers under operating leases for terms of up to 4 years. At the year end, the company had contracted for minimum lease payments of approximately £1,100,000 (2020: £1,200,000) of which approximately £400,000 (2020: £400,000) was due within one year.

### 21 RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary undertaking of Newbury Investments (UK) Limited and has taken advantage of the exemption available under Financial Reporting Standards 102 Section 33 'Related Party Disclosures' not to disclose details of transactions with entities which are part of this group.

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 21 RELATED PARTY TRANSACTIONS (CONTINUED)

The company made sales of approximately £10.4m (2020: £10.0m) to companies connected to certain shareholders of the group's ultimate parent undertaking of which amounts receivable of £2.5m (2020: £2.4m) were still outstanding at the year end. Further, there were related party charges from these related companies of £0.6m (2020: £0.6m) in respect of non-trading transactions. In the opinion of the directors all transactions were at arm's length.

### 22 PENSION ARRANGEMENTS

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme for the benefit of some of its employees. The assets of the scheme are held separately from those of the company in independently administered funds. Included within the pension cost charge are contributions payable by the company to the fund and amount to £1,047,000 for the year ended 31 December 2021 (2020: £1,087,000) as disclosed in note 6. Contributions of £102,000 (2020: £94,000) were outstanding at the year end.

#### Defined benefit pension scheme

In prior years, the company operated a defined benefit final salary pension scheme in the United Kingdom, as the principal employer of the Stearn Electric Company Pension Fund. The assets of the scheme were administered by trustees in a fund independent from those of the company and invested directly on the advice of the independent professional investment managers.

Under FRS 102 a surplus of scheme assets may be recognised to the extent it is recoverable through reduced employer contributions in the future or through refunds from the scheme.

As the above criteria is not met, the company's scheme surpluses are not deemed recoverable and so an asset limit adjustment was applied to restrict the balance to zero.

The last full triennial actuarial valuation took place as at 05 February 2021, which was performed using the projected unit method.

The benefit obligations have been rolled-forward from the preliminary results of the 31 March 2021 statutory funding valuation to the year end measurement date, allowing for interest on the liabilities, the actual benefits paid out and an estimate of the effect of any changes in the actuarial assumptions. We have assumed that all other experience during the projection, apart from investment returns, inflation experience, contributions and benefit payment and any administration expenses paid by the Scheme, has been in line with the assumptions made at the start of the year.

The valuation of the schemes' net position for the purpose of these financial statements has been based on these actuarial valuations, updated to 31 December 2021 by independent qualified actuaries. The major assumptions used were:

	2021	2020
	Per annum	Per annum
Discount rate	1.75%	1.40%
Inflation assumption (RPI)	3.25%	2.95%
Inflation assumption (CPI)	2.80%	2.45%



# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 22 PENSION ARRANGEMENTS (CONTINUED)

The mortality assumptions used were as follows:

	2021 Years	2020 Years
Member aged 65 (current life expectancy):		
- Men	22.4	23.6
- Women	24.5	25.6
Member aged 45 (life expectancy at age 65):		
- Men	23.1	25.4
- Women	25.7	27.5

On 31 March 2011 the defined benefit pension scheme was closed to future accrual. This closure meant that assumptions regarding the future increases in average earnings were no longer appropriate as members' benefits, barring future inflationary increases, effectively crystallised at that date.

The assets in the scheme are:

	2021 £000s	2020 £000s	2019 £000s
Equities	11,068	21,600	20,561
Bonds	26,207	23,480	19,667
Property	2,184	2,020	2,069
Cash	12,195	954	1,424
Insured pensions	1,561	1,597	1,663
Total fair value of assets	53,215	49,651	45,384
Present value of scheme obligations	(40,136)	(45,381)	(40,917)
Surplus in the scheme	13,079	4,270	4,467
Effect of asset limit	(13,079)	(4,270)	(4,467)
Net pension surplus/(deficit)	-	-	-

Movement during the year	Assets £000s	Liabilities £000s	Total £000s
At 1 January 2021	49,651	(45,381)	4,270
Interest income/(expense)	686	(628)	58
Gain/(loss) on curtailments	-	-	-
Expenses paid from plan assets	(224)	-	(224)
Employer contributions	-	-	-
Benefits paid	(1,030)	1,030	-
Remeasurements in respect of insured pensioners	90	(90)	-
Effect on experience adjustments	-	1,667	1,667
Actuarial gain	4,042	3,266	7,308
At 31 December 2021	53,215	(40,136)	13,079
Effect of asset limit			(13,079)
At 31 December 2021 after the effect of asset limit			-

# STEARN ELECTRIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 22 PENSION ARRANGEMENTS (CONTINUED)

The return on plan assets during the year was £4,818,000 (2020: £5,696,000).

It should be noted that a pension surplus or deficit calculated under FRS 102 represents an estimate at a point in time and is not necessarily indicative of the eventual funding position of a scheme.

#### Analysis of amounts charged to other financial expenses:

	2021 £000s	2020 £000s
Net interest expense on pension scheme assets	-	-
Expenses paid from defined benefit pension scheme assets	(224)	(197)
	<u>(224)</u>	<u>(197)</u>

#### Analysis of amount recognised in other comprehensive income

	2021 £000s	2020 £000s
Actual return less interest income on pension scheme assets	4,042	4,697
Experience gains and losses arising on the scheme obligations	1,667	626
Changes in assumptions underlying the present value of the scheme liabilities	<u>3,266</u>	<u>(5,415)</u>
	8,975	(92)
Effect of pension scheme asset limit adjustment	<u>(8,751)</u>	<u>289</u>
Actuarial gain recognised after effect of asset limit	<u>224</u>	<u>197</u>

#### Other non-group scheme

Certain employees of the company are members of a defined benefit scheme operated by a non-group company. The assets of the scheme are managed through a separate trustee administered fund. The scheme was closed to future accrual at 31 March 2011.

The company's liability for this scheme was crystallised during 2015.

### 23 ULTIMATE PARENT COMPANY

As at 31 December 2021, the company's parent company and ultimate controlling entity was Newbury Investment BV, a company incorporated in the Netherlands. The result of the group headed by Newbury Investments BV are not consolidated into any publicly available financial statements.

After the year end, and following a group reconstruction, Newbury Investments Holdings Limited became the company's ultimate parent undertaking and controlling party, in place of Newbury Investments BV.