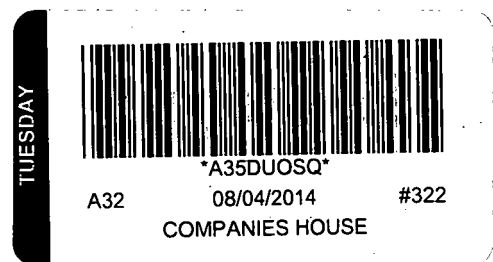


AEBI SCHMIDT UK LIMITED

Report and Financial Statements

31 December 2013



AEBI SCHMIDT UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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AEBI SCHMIDT UK LIMITED

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activity of the company is the sale and after sales support of special purpose surface cleansing vehicles and equipment. The product range includes environmental (street cleansing and mowing vehicles and equipment) and winter maintenance vehicles for snow clearance, salt spreading and de-icing for both roads and airports.

BUSINESS REVIEW

In the year to 31 December 2013 the company made a profit on ordinary activities before taxation of £1,632k compared to a profit on ordinary activities before taxation of £1,567k in the year to 31 December 2012.

Operations

The company operates in 3 principal markets; Winter Maintenance equipment, specialist Airport products and Environmental products.

In the Winter Maintenance market the company continued to enjoy strong sales to contractors and continues to develop its product offering to the local authority market.

In the Airport market the company continued to grow market share including the supply of specialist Airport Sweeping and Snow Clearance equipment to the Ministry of Defence. In addition Airport Sweeping, Snow Clearance and Runway De-icing vehicles were delivered to a number of UK commercial airports. Turnover in this market was reduced compared to the exceptional levels of 2012 but shows a trend towards increasing over the coming years. This is due to excellent reference points in the market together with improved marketing and a consultative approach with customers.

In the Environmental equipment market the company's sales were similar to 2012 levels in a market which continued to be depressed due to the UK economic downturn. Local authorities in particular were constrained as to their purchases of capital equipment. In spite of this the company enjoyed strong sales in the final quarter to achieve a market share of 29% for the year.

The company also operates in the After Sales (parts & service) market for all 3 areas above. Sales and activity in its After Sales division increased during 2013. The company believes that this market segment will continue to increase following the strong sales of capital products in recent years and the possibility of diversification into other product areas. This activity includes agreements for "in service support" until 2026 with the Ministry of Defence allowing the company to provide long term support to these specialist vehicles. The formation of the Total Lifetime Care Marketing campaign and ethos within the Company is being recognised in the Industry as a whole.

The gross margin achieved across the whole business was 28.0% for the year ended 31 December 2013 compared to 27.3% in the year to 31 December 2012.

Key Performance Indicators

The Board monitors the company's performance in a number of ways including key performance indicators. The key financial performance indicators together with the information for 2013 and 2012 are as follows.

	2013	2012
Turnover £'000	21,244	22,875
Gross profit £'000	5,951	6,241
Gross profit margin (%)	28.0%	27.3%
Operating profit £'000	1,675	1,604
Operating profit margin (%)	7.9%	7.0%
Employees (average number)	55	58

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

Competition risk

The markets in which the company operates are competitive with few manufacturers.

The company's share of the Winter Maintenance equipment market continues to develop and the increased installed base of equipment provides increased After Sales opportunities. The company believes its technical approach, as adopted by a number of high profile customers, and innovative marketing including the Total Lifetime Care concept, differentiates its product in this market.

In the Airport market where the company faces competition from a few specialist suppliers, it has achieved considerable sales growth and market share in recent years with significant sales to both the Ministry of Defence and many commercial airport operators.

In the Environmental market the company's customers are predominantly local authorities & contractors operating on behalf of authorities. It is considered important for the company to maintain recognition in the industry of its superior and proven product offering, however while tenders are increasingly price focussed it is also necessary to be price competitive.

Foreign currency risk

The company's cost of sale is predominantly denominated in euro. Sterling enjoyed a relatively stable period against the euro during 2013 but the rate was less advantageous than during the preceding year.

Credit risk

Debtors at the year end were from various companies including many government funded institutions. The history of bad debts is minimal and the company continually monitors its debtor balances.

Liquidity risk

The company has no 3rd party debt except the availability of an unsecured overdraft arrangement with its bankers.

RESULTS AND DIVIDENDS

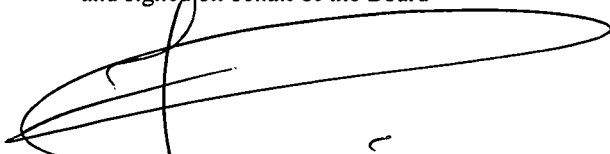
The results for the year are shown in the profit and loss account on page 7.

The directors have proposed a final dividend of £600,000 (2012 - £200,000). This is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

GOING CONCERN

The directors have prepared projected budgets and cash flow information for the period ending 31 December 2014. Based on these, and the agreed overdraft facility which is due for renewal on 28 February 2015, the directors have an expectation that the company has adequate resources to continue in operational existence for the foreseeable future and the company is well placed to manage its business risks. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Approved by the Board of Directors
and signed on behalf of the Board



H Landeweerd
Director

28 March 2014

AEBI SCHMIDT UK LIMITED

DIRECTORS' REPORT

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

DIRECTORS

The directors who served throughout the year were:

H Landeweerd

T Schenkirsch

EMPLOYEE INVOLVEMENT

Communication with employees is effected through the company Intranet, newsletters, information bulletins and employee meetings. Meetings include all management staff and as many of the workforce as is reasonably practicable and enable senior management to update employees on company progress and discuss various matters of mutual interest. Promotion of the Total Lifetime Care ethos & staff training generally will continue in 2014.

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, consisting of a large, stylized 'H' followed by a long, sweeping horizontal stroke.

H Landeweerd

Director

28 March 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEBI SCHMIDT UK LIMITED

We have audited the financial statements of Aebi Schmidt UK 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 and the related notes 1 to 18. 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).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 other matter prescribed by the Companies Act 2006

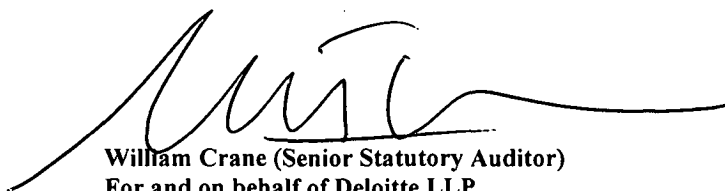
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AEBI SCHMIDT UK LIMITED (continued)**

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.



William Crane (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

2 April 2014

AEBI SCHMIDT UK LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 December 2013**

	Note	2013 £'000	2012 £'000
TURNOVER	2	21,244	22,875
Cost of sales		(15,293)	(16,634)
Gross profit		5,951	6,241
Distribution costs		(883)	(930)
Administrative expenses		(3,393)	(3,707)
OPERATING PROFIT	3	1,675	1,604
Interest receivable and similar income		27	18
Interest payable and similar charges	5	(6)	(6)
Other finance charges in respect of pensions		(64)	(49)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,632	1,567
Tax on profit on ordinary activities	6	(430)	(477)
RETAINED PROFIT FOR THE YEAR	14	1,202	1,090

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **Year ended 31 December 2013**

	2013 £'000	2012 £'000
Profit for the financial year	1,202	1,090
Actuarial loss recognised in the pension scheme during the year (note 17)	(351)	(691)
Deferred tax relating to defined benefit pension scheme	38	105
Current tax credit relating to defined benefit pension scheme	43	64
Total recognised gains and losses for the year	932	568

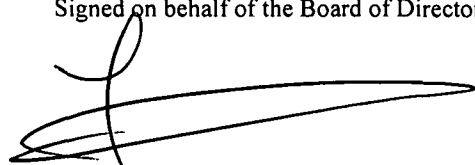
AEBI SCHMIDT UK LIMITED

BALANCE SHEET 31 December 2013

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	8	343	326
CURRENT ASSETS			
Stocks	9	1,330	1,406
Debtors	10		
Due within one year		7,288	6,026
Due after more than one year		357	357
Cash at bank and in hand		990	786
		9,965	8,575
CREDITORS: amounts falling due within one year	11	(5,326)	(4,834)
NET CURRENT ASSETS		4,639	3,741
TOTAL ASSETS LESS CURRENT LIABILITIES		4,982	4,067
PROVISIONS FOR LIABILITIES AND CHARGES	12	(17)	(10)
NET ASSETS EXCLUDING NET PENSION LIABILITY		4,965	4,057
NET PENSION LIABILITY	17	(1,323)	(1,147)
NET ASSETS INCLUDING NET PENSION LIABILITY		3,642	2,910
CAPITAL AND RESERVES			
Called up share capital	13	2,000	2,000
Profit and loss account	14	1,642	910
SHAREHOLDERS' FUNDS	15	3,642	2,910

The financial statements of Aebi Schmidt UK Limited, registered number 557725, were approved by the Board of Directors and authorised for issue on 28 March 2014.

Signed on behalf of the Board of Directors



H Landeweerd

Director

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking, Aebi Schmidt Holding AG includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Aebi Schmidt Holding AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Aebi Schmidt Holding AG, within which this company is included, can be obtained from the address given in note 18.

Going concern

The company meets its working capital requirements from trading income. The directors have prepared budgets for the period ending 31 December 2014. These projections assess the company's ability to operate within revenue income generated with no capital injections.

The company has an agreed unsecured overdraft facility of £250,000 which is due for renewal on 28 February 2015, however in the event that the available cash resources, including the overdraft facility are not sufficient to meet the expected working capital requirements of the company in the period under review, the directors will put in place a cost control strategy.

Based on the above the directors have concluded that the company will continue in operational existence for the foreseeable future, even if significant reductions of its planned revenues in the next 12 months occur, and that it is appropriate to prepare financial statements on a going concern basis.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	Between 5 and 10 years
Commercial and sweeping vehicles	5 years
Office equipment	Between 3 and 5 years
Fixtures and fittings	Between 3 and 10 years
Leasehold improvements	The period of the lease

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

1. ACCOUNTING POLICIES (continued)

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also operates a pension scheme providing benefits based on final pensionable pay. This scheme was closed to new members in February 2003 and closed to future accrual of benefits for existing members on 31 March 2009 (see note 17). The assets of the scheme are held separately from those of the company in an independently administered fund.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost which includes an appropriate proportion of attributable overheads.

Taxation

Current 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 provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Dividends

Dividends are accounted for in accordance with FRS 21 "Events after the balance sheet date".

2. TURNOVER

Turnover, which is stated net of value added tax and discounts, represents amounts invoiced to third parties. Turnover, all of which arises in the United Kingdom, is attributable to the principal activities of the company. The turnover attributable to each of the company's geographical markets is as follows:

	2013	2012
	£'000	£'000
United Kingdom	21,076	22,723
Other EC countries	168	152
	<u>21,244</u>	<u>22,875</u>

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. OPERATING PROFIT

	2013 £'000	2012 £'000
Operating profit is stated after charging:		
Depreciation of owned assets	66	51
Operating leases:		
Other assets	150	150
The analysis of auditor's remuneration is as follows:		
Fees payable to the company's auditor for the audit of the company's annual accounts	12	14
Fees payable to the company's auditor for other services	6	6
	<u>66</u>	<u>51</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2013 £'000	2012 £'000
Directors' emoluments		
Emoluments (excluding pension contributions)	118	175
	<u>118</u>	<u>175</u>

No directors were members of a defined benefit pension scheme during the year or preceding year.

	No.	No.
Average number of persons employed		
Sales and distribution	51	53
Administration	4	5
	<u>55</u>	<u>58</u>
	<u>55</u>	<u>58</u>
	£'000	£'000
Staff costs during the year		
Wages and salaries	1,897	1,979
Social security costs	208	263
Pension costs	85	74
	<u>2,190</u>	<u>2,316</u>
	<u>2,190</u>	<u>2,316</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
On group balances	-	5
On bank loans, overdrafts and other loans	6	1
	<u>6</u>	<u>6</u>
	<u>6</u>	<u>6</u>

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2013**

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
Current taxation		
United Kingdom corporation tax based on the result for the year at 23.25% (2012 - 24.5%)	376	378
Adjustments in respect of previous periods	-	66
	<u>376</u>	<u>444</u>
Deferred taxation		
Origination and reversal of timing differences	7	9
Effect of change of tax rates	47	24
	<u>54</u>	<u>33</u>
Tax on profit on ordinary activities	<u>430</u>	<u>477</u>

Factors affecting tax charge for the year:

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK 23.25% (2012 - 24.5%). The differences are explained below.

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	1,632	1,567
Tax on profit on ordinary activities at standard rate	379	384
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	4	3
Capital allowances in excess of depreciation	(7)	(9)
Adjustments in respect of previous periods	-	66
Total actual amount of current tax	<u>376</u>	<u>444</u>

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2013**

7. DIVIDENDS

	2013	2012
	£'000	£'000
Proposed dividend for the year ended 31 December 2013 of 30p (2012 - £10p) per ordinary share	600	200

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

8. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £'000	Plant, machinery and vehicles £'000	Office equipment, fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2013	259	71	253	583
Additions in the year	30	-	53	83
Disposals in the year	-	-	(10)	(10)
At 31 December 2013	289	71	296	656
Depreciation				
At 1 January 2013	38	11	208	257
Charge for the year	28	11	27	66
Disposals in the year	-	-	(10)	(10)
At 31 December 2013	66	22	225	313
Net book value				
At 31 December 2013	223	49	71	343
At 31 December 2012	221	60	45	326

9. STOCKS

	2013	2012
	£'000	£'000
Finished goods and goods for resale	1,330	1,406

There is no material difference between the balance sheet value of stock and their replacement value.

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2013**

10. DEBTORS

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade debtors	5,985	2,928
Amounts owed by group undertakings	1,190	2,971
Other debtors	5	6
Prepayments and accrued income	108	121
	<u>7,288</u>	<u>6,026</u>
Amounts falling due after more than one year:		
Other debtors	357	357
	<u>7,645</u>	<u>6,383</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade creditors	1,568	787
Amounts owed to group undertakings	1,527	800
Corporation tax	212	380
Other taxation and social security	1,338	1,959
Accruals and deferred income	681	908
	<u>5,326</u>	<u>4,834</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred taxation	
At beginning of year	10
Charge to profit and loss account	7
	<u>17</u>
At the end of year	<u>17</u>

The amounts of deferred taxation provided in the accounts are as follows:

	Provided 2013 £'000	Provided 2012 £'000
Depreciation in deficit of capital allowances	20	15
Short term timing differences	(3)	(5)
	<u>17</u>	<u>10</u>

In addition to the deferred tax asset in note 17, there is an unrecognised deferred tax asset of £95,303 (2012 - £108,918) relating to capital losses.

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

13. CALLED UP SHARE CAPITAL

	2013	2012
	£'000	£'000
Allotted, called up and fully paid 2,000,000 ordinary shares of £1 each	2,000	2,000

14. RESERVES

		Profit and loss account £'000
At 1 January 2013		910
Profit for the financial year		1,202
Actuarial loss recognised in the pension scheme during the year		(351)
Deferred tax relating to actuarial loss		38
Current tax credit in statement of total recognised gains and losses		43
Dividends paid (note 7)		(200)
At 31 December 2013		1,642
	2013	2012
	£'000	£'000
Profit and loss reserve excluding pension liability	2,965	2,057
Pension liability	(1,323)	(1,147)
Profit and loss reserve	1,642	910

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£'000	£'000
Profit for the financial year	1,202	1,090
Actuarial loss recognised in the pension scheme during the year	(351)	(691)
Deferred tax relating to actuarial loss	38	105
Current tax credit in statement of total recognised gains and losses	43	64
Dividends paid (note 7)	(200)	(200)
Net increase in shareholders' funds	732	368
Opening shareholders' funds	2,910	2,542
Closing shareholders' funds	3,642	2,910

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2013**

16. OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2013	2012
	£'000	£'000
Operating leases which expire:		
After five years	<u>150</u>	<u>150</u>

17. PENSION SCHEME

The company operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the company to the scheme and amounted to £85,000 (2012 - £74,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The company also operates the Schmidt Group Pension Scheme, a funded defined benefit scheme, providing benefits based on final pensionable pay.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation of this group scheme was at 31 May 2013.

The scheme closed to new members in February 2003 and closed to future accrual of benefits for existing members on 31 March 2009. The scheme currently has a funding shortfall. The trustees and the company have agreed that recovery plan contributions of £240,000 per annum will be paid by the company from 1 January 2014. During 2013 contributions of £250,000 were made. The funding shortfall is expected to be eliminated in 14 years.

The valuation at 31 May 2013 has been updated by the actuary on an FRS 17 basis as at 31 December 2013. The major assumptions used in this valuation were:

	31 December 2013	31 December 2012	31 December 2011
Rate of increase in salaries	n/a	n/a	n/a
Pension increase in pensions in payment and deferred pensions	3.40%	2.80%	2.90%
Discount rate applied to scheme liabilities	4.45%	4.25%	4.55%
Inflation assumption	3.40%	2.80%	2.90%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

17. PENSION SCHEME (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000
Bonds	1,564	1,551	1,370
Other	2,446	29	7
Diversified growth funds	-	2,181	1,940
	<u>4,010</u>	<u>3,761</u>	<u>3,317</u>
Present value of scheme liabilities	(5,684)	(5,270)	(4,396)
Deficit in the scheme - Pension liability	(1,674)	(1,509)	(1,079)
Related deferred tax asset	351	362	280
Net pension liability	<u>(1,323)</u>	<u>(1,147)</u>	<u>(799)</u>

	Long term rate of return at 31 December 2013	Long term rate of return at 31 December 2012	Long term rate of return at 31 December 2011
Equities	n/a	n/a	n/a
Bonds	4.15%	3.85%	4.35%
Property	n/a	n/a	n/a
Other	0.50%	0.50%	0.50%
Diversified growth funds	5.70%	4.55%	4.75%

Movement in deficit during the year:

	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000
Deficit in scheme at beginning of year	(1,509)	(1,079)	(895)
Employer contributions	250	310	160
Charge to other financial income	(64)	(49)	(30)
Actuarial loss	(69)	(59)	(314)
Actuarial loss, prior period adjustment	(282)	(632)	-
Deficit in the scheme at end of year	<u>(1,674)</u>	<u>(1,509)</u>	<u>(1,079)</u>

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2013**

17. PENSION SCHEME (continued)

During the prior year it came to the attention of the directors, via the Trustees of the Scheme, that changes to the benefit provisions under the Rules of the Scheme made in 1997 and 1999 had not been validly effected by deed at the appropriate times. Although the changes had been properly communicated to members and the Scheme administered and funded on the changed basis, the changes had not been effected by deed.

Both the Trustees of the Schmidt Group Pension Scheme and the directors of the company took legal advice which stated that any changes to the Rules had to be effected by deed and no deed seeking to implement the changes was executed until May 2003. As a result, the Trustees and Company have concluded that additional benefits are due to members of the Scheme. The additional cost of these is disclosed earlier in this note as an Actuarial loss, prior period adjustment.

Analysis of other pension costs charged in arriving at operating profit

	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000
Current service cost	-	-	-	-	5

Analysis of the amounts included in other finance costs

	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000
Expected return on pension scheme assets	153	148	198	194	148
Interest on pension scheme liabilities	(217)	(197)	(228)	(234)	(220)
Net charge	(64)	(49)	(30)	(40)	(72)

History of experience gains and losses

	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000
Actual return less expected return on scheme assets (£'000)	110	178	(359)	236	345
Percentage of scheme assets	2.7%	4.7%	11%	6.8%	11%
Experience gains and losses arising on liabilities (£'000)	(202)	(690)	233	-	-
Percentage of the present value of scheme's liabilities	3.6%	13.1%	5.3%	-	-
Changes in assumptions underlying the present value of scheme liabilities (£'000)	(259)	(179)	(188)	(161)	(457)
Percentage of the present value of scheme's liabilities	4.6%	3.4%	4.3%	3.7%	10.8%
Actuarial (loss) gain recognised in STRGL	(351)	(691)	(314)	75	(112)
As a percentage of scheme liabilities	(6.2%)	(13.1%)	(7.1%)	1.7%	(2.7%)

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NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2013**

18. ULTIMATE CONTROLLING PARTY

The immediate parent company and ultimate parent company is Aebi Schmidt Holding AG, a company incorporated in Switzerland which owns 100% of the company.

The smallest and largest group of which the company is a member for which group accounts are drawn up is that headed by Aebi Schmidt Holding AG, copies of which may be obtained from Zürcherstrasse 310, 8500 Frauenfeld, Switzerland.