

Registered number: 557725

AEBI SCHMIDT UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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AEBI SCHMIDT UK LIMITED

COMPANY INFORMATION

DIRECTORS Mr T Schenkirsch
Mr W Goodwin (resigned 24 July 2017)
Mr R Bryant
Mr C Stryffeler (appointed 24 July 2017)

COMPANY SECRETARY Mr P M Squires

REGISTERED NUMBER 557725

REGISTERED OFFICE Southgate Way
Orton Southgate
Peterborough
PE2 6GP

INDEPENDENT AUDITORS PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

ACCOUNTANTS MHA MacIntyre Hudson
Minerva Business Park
Lynch Wood
Peterborough
PE2 6FT

AEBI SCHMIDT UK LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 2017 the Company made a loss before taxation of £83k compared to a profit before taxation of £563k in the year to 31 December 2016.

The gross margin achieved across the whole business was 20.9% for the year ended 31 December 2017 compared to 31.5% in the year to 31 December 2016.

The Company has net assets of £2,939k as at 31 December 2017 (£3,241k as at 31 December 2016).

The Company operates in 4 principal markets; Winter Maintenance equipment, specialist Airport products, Environmental products and specialist machines for working in difficult terrains and on extremely steep slopes.

Overall, sales of New Products delivered into the market were 59% higher than in the preceding year, a result that the Directors believe shows the popularity of the brands and on which future performance can be built.

Sales of the company's winter maintenance equipment increased significantly compared to the previous year achieving the highest level recorded by the company since 2010. In the specialist Airport product market sales were 8 times higher than in 2016 in monetary terms. Sales of environmental products increased by 18% over the previous year, partly with more Swingo compact sweepers entering the market and partly due to sales of the larger SK660 model introduced during 2016. Order intake recovered completely from the low point directly following the Brexit vote in the middle of the previous year. Sales of the Aebi product range were 40% lower than in the previous year however a high order book for these products at 31st December meant a good start in 2018 in this category.

Margins were under pressure throughout the year, partly through the continued weakness of Sterling against the Euro and partly due to competition in the market.

The Company also operates in the After Sales (parts & service) market for the equipment it supplies. Activity in this division was 6% lower than in 2016, partly due to the success of new products delivered requiring less servicing and spare parts in the first months of their operation. The disparity between the 59% increase in new product turnover and 6% decrease in after sales turnover at higher margins has made the change in Gross Profit Margin, shown later in this report, more marked.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

PRINCIPAL RISKS AND UNCERTAINTIES

Competition risk

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

The Company believes its share of the Winter Maintenance equipment market increased in 2017 with the results mentioned in the Business Review and as it continues to develop its product offering to match customer needs. The Company also considers its technical approach and Total Lifetime Care concept differentiates its products in this market.

In the Airport product market sales were substantially higher than in 2016 and the Company believes its quality product range continues to be of interest to both commercial airport operators and military customer base over the long term.

In the Environmental market the Company's customers are predominantly local authorities and 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 quality, however where customers are price focussed it is also necessary to be price competitive.

Foreign currency risk

The Company's cost of sale for products is predominantly, though not exclusively, denominated in euro.

Sterling remained under pressure against the euro during the whole of the year. The directors consider the outlook for 2018 is that Sterling will remain around current levels against the euro and have planned accordingly.

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 third party debt except the availability of an unsecured overdraft arrangement with its bankers.

AEBI SCHMIDT UK LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL 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 the last two financial years are as follows.

	2017	2016	2015
Turnover £'000	21,641	15,850	20,238
Gross profit £'000	4,523	4,994	6,074
Gross profit margin (%)	20.9%	31.5%	30.0%
Operating profit/(loss) £'000	(65)	572	1,627
Operating profit/(loss) margin (%)	(0.3%)	3.6%	8.0%
Profit/(Loss) for the financial year £'000	(77)	447	1,302
Employees (average number)	58	59	57

FUTURE DEVELOPMENTS

The Company continues to focus on maintaining or growing market share in all its principal markets. With the introduction of the larger SK660 sweeper and specially configured winter maintenance products in the 2nd half of 2016 it has already seen increases in turnover & market share and the directors believe this will be sustained. The directors are open to new business opportunities which match the Company's knowledge and expertise and would contribute to shareholder value.

This report was approved by the board and signed on its behalf.



.....
Mr R Bryant
Director

Date: 13 April 2018

AEBI SCHMIDT UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements, and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the time when this Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

RESULTS AND DIVIDENDS

The loss for the financial year, after taxation, amounted to £77k (2016: profit £447k).

The directors are not proposing a dividend for 2017 (2016: £100k). Any dividends proposed by the directors would be subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements. The dividend proposed in respect of 2016 was approved and paid in 2017.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

DIRECTORS

The directors who served during the year were:

Mr T Schenkirsch
Mr W Goodwin (resigned 24 July 2017)
Mr R Bryant
Mr C Stryffeler (appointed 24 July 2017)

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.

MATTERS COVERED IN THE STRATEGIC REPORT

Details concerning principal activity, business review, principal risks and uncertainties, key performance indicators and future developments can be found in the Strategic Report.

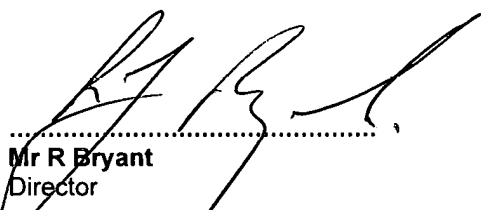
POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

INDEPENDENT AUDITORS

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.


.....
Mr R Bryant
Director
Date: 13 April 2018

Independent auditors' report to the members of Aebi Schmidt UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aebi Schmidt UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Aebi Schmidt UK Limited (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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Aebi Schmidt UK Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Adrian Bennett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

13 April 2018

AEBI SCHMIDT UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	21,641	15,850
Cost of sales		(17,118)	(10,856)
GROSS PROFIT		4,523	4,994
Distribution costs		(1,046)	(1,008)
Administrative expenses		(3,542)	(3,423)
Other operating income		-	9
OPERATING (LOSS)/PROFIT		(65)	572
Interest receivable and similar income	9	38	46
Interest payable and similar expenses	10	(2)	(1)
Other finance costs		(54)	(54)
(LOSS)/PROFIT BEFORE TAXATION		(83)	563
Tax on (loss)/profit on ordinary activities	12	6	(116)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(77)	447

The notes on pages 13 to 31 form part of these financial statements.

All amounts relate to continuing operations.

AEBI SCHMIDT UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	£000	£000
(Loss)/profit for the financial year	<u>(77)</u>	<u>447</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Actuarial loss on defined benefit pension scheme	(76)	(774)
Movement on deferred tax relating to defined benefit pension scheme	(95)	118
Current tax credit relating to defined benefit pension scheme	46	37
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(125)</u>	<u>(619)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u><u>(202)</u></u>	<u><u>(172)</u></u>

The notes on pages 13 to 31 form part of these financial statements.

AEBI SCHMIDT UK LIMITED
REGISTERED NUMBER:557725

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
FIXED ASSETS			
Tangible assets	14	175	243
		<u>175</u>	<u>243</u>
CURRENT ASSETS			
Stocks	15	2,249	2,254
Debtors: amounts falling due after more than one year	16	358	404
Debtors: amounts falling due within one year	16	5,794	5,198
Cash at bank and in hand		726	1,512
		<u>9,127</u>	<u>9,368</u>
Creditors: amounts falling due within one year	18	(4,302)	(4,144)
NET CURRENT ASSETS		<u>4,825</u>	<u>5,224</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,000</u>	<u>5,467</u>
Pension liability	23	(2,061)	(2,226)
NET ASSETS		<u>2,939</u>	<u>3,241</u>
CAPITAL AND RESERVES			
Called up share capital	21	2,000	2,000
Profit and loss account	22	939	1,241
TOTAL EQUITY		<u>2,939</u>	<u>3,241</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on and were signed on its behalf by:

Mr R Bryant
Director

13 April 2018

The notes on pages 13 to 31 form part of these financial statements.

AEBI SCHMIDT UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2016	2,000	2,213	4,213
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the financial year	-	447	447
Actuarial losses on pension scheme	-	(774)	(774)
Deferred tax movements	-	118	118
Current tax credit relating to defined benefit pension scheme	-	37	37
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	-	(619)	(619)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	-	(172)	(172)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS			
Dividends: Equity capital	-	(800)	(800)
TOTAL TRANSACTIONS WITH OWNERS	-	(800)	(800)
At 31 December 2016 and At 1 January 2017	2,000	1,241	3,241
COMPREHENSIVE INCOME FOR THE YEAR			
Loss for the financial year	-	(77)	(77)
Actuarial losses on pension scheme	-	(76)	(76)
Deferred tax movements	-	(95)	(95)
Current tax credit relating to defined benefit pension scheme	-	46	46
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	-	(125)	(125)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	-	(202)	(202)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS			
Dividends: Equity capital	-	(100)	(100)
TOTAL TRANSACTIONS WITH OWNERS	-	(100)	(100)
At 31 December 2017	2,000	939	2,939

The notes on pages 13 to 31 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. GENERAL INFORMATION

Aebi Schmidt UK Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act.

The registered number and the address of the registered office is give in the company information.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

The functional and presentation currency of the Company is pounds sterling (£) and the accounts have been prepared to the closest £000s.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

Accounting policies have been applied consistently throughout the year and to the preceding year.

The following principal accounting policies have been applied:

2.2 EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

FRS102 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 the Company's shareholders.

The Company has taken advantage of the exemption in FRS 102, section 7 and 3.17(d), from including a Cash Flow Statement in the Financial Statements on the grounds that the Company is wholly owned and its Parent publishes a Consolidated Cash Flow Statement, which is publicly available from the address in Note 26.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (continued)

2.3 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sales of vehicles, equipment and spare parts

Revenue is recognised when the risks and rewards of ownership have passed to the customer.

Support and maintenance

Where support and maintenance is sold for a fixed term and there is a continuing performance obligation, then the revenue is deferred and recognised over the term of the agreement on a straight line basis.

2.4 OPERATING LEASES

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (continued)

2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Leasehold improvements	-	The period of the lease
Plant, machinery and vehicles	-	Between 5 and 10 years
Office equipment, fixtures & fittings	-	Between 3 and 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Profit and Loss account.

2.6 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (continued)

2.8 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.

2.9 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable and loans to and from group companies.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (continued)

2.10 CREDITORS

Short term creditors are measured at the transaction price.

2.11 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is considered to be pounds sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

2.12 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (continued)

2.13 PENSIONS

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension scheme

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 23). 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 other comprehensive income, actuarial gains and losses.

2.14 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, 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 balance sheet date in the countries where the Company operates and generates 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; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The judgements that have had a significant effect on amounts recognised in the Financial Statements are those on Stock Provisions and Pension Liabilities.

Stock Provision

The company sells ex-demonstration and ex-hire products as well as new equipment and is subject to market prices for these products. The company also sells spare parts which are subject to potential obsolescence. As a result it is necessary to consider the recoverability of the cost of these items and the associated provisioning required. When calculating the relevant stock provisions, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability. See Note 15 for the disclosures relating to Stocks.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain past employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, future inflation, asset valuations and the discount rate on corporate bonds. Management takes advice from a qualified actuary to provide appropriate assumptions for this purpose. See Note 23 for the disclosures relating to the defined benefit pension scheme.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2017	2016
	£000	£000
The sale of goods	18,999	12,744
The rendering of services	2,642	3,106
	21,641	15,850

Analysis of turnover by country of destination:

	2017	2016
	£000	£000
United Kingdom	20,919	15,519
Rest of Europe	722	331
	21,641	15,850

AEBI SCHMIDT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of tangible assets	74	77
Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements	21	20
Exchange differences	72	(387)
Operating lease rentals	432	377
Defined contribution pension cost	95	94
	<u> </u>	<u> </u>

6. AUDITORS' REMUNERATION

	2017 £000	2016 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual accounts	21	20
	<u>21</u>	<u>20</u>

7. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	2,097	2,107
Social security costs	227	224
Other pension costs	95	94
	<u>2,419</u>	<u>2,425</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Sales and distribution	53	54
Administration	5	5
	<u>58</u>	<u>59</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. DIRECTORS' REMUNERATION

	2017 £000	2016 £000
Directors' emoluments	185	209
Company contributions to defined contribution pension schemes	13	12
	198	221

During the year retirement benefits were accruing to 2 directors (2016: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £134k (2016: £141k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8k (2016: £9k).

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

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £000	2016 £000
Interest receivable from group companies	38	40
Other interest receivable	-	6
	38	46

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £000	2016 £000
Bank interest payable	2	1
	2	1

11. OTHER FINANCE COSTS

	2017 £000	2016 £000
Net interest on net defined benefit liability	54	54
	54	54

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. TAX ON (LOSS)/PROFIT

	2017 £000	2016 £000
CORPORATION TAX		
Current tax for the year	46	122
TOTAL CURRENT TAX	46	122
DEFERRED TAX		
Origination and reversal of timing differences	(52)	(6)
TOTAL DEFERRED TAX	(52)	(6)
TAX ON (LOSS)/PROFIT	(6)	116

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit on ordinary activities before tax	(83)	563
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(16)	113
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	10	3
TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR	(6)	116

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The rate of UK corporation tax will reduce to 17% on 1 April 2020. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances at 31 December 2017 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

AEBI SCHMIDT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. DIVIDENDS

	2017 £000	2016 £000
Final dividend paid for the year ending 31 December 2016 of 5p (2015: 40p) per ordinary share.	100	800
	<u>100</u>	<u>800</u>

The directors are not proposing a dividend for 2017 (2016: £100k). Any dividends proposed by the directors would be subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements. The dividend proposed in respect of 2016 was approved and paid in 2017.

14. TANGIBLE ASSETS

	Leasehold improvements £000	Plant, machinery and vehicles £000	Office equipment, fixtures and fittings £000	Total £000
COST				
At 1 January 2017	301	72	265	638
Additions	-	-	6	6
Disposals	-	(6)	(31)	(37)
At 31 December 2017	<u>301</u>	<u>66</u>	<u>240</u>	<u>607</u>
DEPRECIATION				
At 1 January 2017	160	46	189	395
Charge for the year on owned assets	30	5	39	74
Disposals	-	(6)	(31)	(37)
At 31 December 2017	<u>190</u>	<u>45</u>	<u>197</u>	<u>432</u>
NET BOOK VALUE				
At 31 December 2017	<u>111</u>	<u>21</u>	<u>43</u>	<u>175</u>
At 31 December 2016	<u>141</u>	<u>26</u>	<u>76</u>	<u>243</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. STOCKS

	2017 £000	2016 £000
Work in progress (goods to be sold)	135	44
Finished goods and goods for resale	2,114	2,210
	2,249	2,254

A reversal of an impairment loss of £78k (2016: £66k) was recognised in cost of sales against stock during the year.

Recognition of impairment losses occurs based on age or stock turnover. Reversal of impairments occurs on sale of stock previously impaired.

The cost of stock recognised as an expense in cost of sales is £16,776k (2016: £10,654k).

16. DEBTORS

	2017 £000	2016 £000
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset	358	404
	358	404

	2017 £000	2016 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	3,413	2,976
Amounts owed by group undertakings	2,214	2,057
Other debtors	5	6
Prepayments and accrued income	111	111
Deferred taxation	51	48
	5,794	5,198

Amounts owed by group undertakings are unsecured, have no fixed rate of payment and are payable on demand. The year end debtor includes £2,214k (2016: £2,057k), which bears interest at an average rate of 1.75% for the year (2016: 1.56%).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Cash at bank and in hand	726	1,512
	726	1,512

18. CREDITORS: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdrafts	-	299
Trade creditors	1,188	588
Amounts owed to group undertakings	1,168	1,676
Corporation tax	-	50
Other taxation and social security	1,230	823
Accruals and deferred income	716	708
	4,302	4,144

Amounts owed to group undertakings are unsecured, have no fixed rate of payment or interest rate and are payable on demand. Bank overdrafts are unsecured.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. FINANCIAL INSTRUMENTS

	2017 £000	2016 £000
FINANCIAL ASSETS		
Financial assets measured at amortised cost	6,358	6,551
	6,358	6,551
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(2,968)	(3,135)
	(2,968)	(3,135)

Financial assets measured at amortised cost comprise the following items:

- Cash at bank and in hand
- Trade debtors
- Amounts owed by group undertakings
- Other debtors

Financial liabilities measured at amortised cost comprise the following items:

- Bank loans and overdrafts
- Trade creditors
- Amounts owed to group undertakings
- Accruals

AEBI SCHMIDT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. DEFERRED TAXATION

	2017 £000	2016 £000
At beginning of year	452	328
Credited to the profit or loss	52	6
(Charged)/credited to other comprehensive income	(95)	118
AT END OF YEAR	409	452

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances and tax losses carried forward	55	2
Deferred tax arising in relation to retirement benefit obligations	350	445
Short term timing differences	4	5
	409	452

21. CALLED UP SHARE CAPITAL

	2017 £000	2016 £000
Shares classified as equity		
Allotted, called up and fully paid		
2,000,000 (2016: 2,000,000) ordinary shares of £1 each	2,000	2,000

The Company has one class of ordinary shares.

Each ordinary share has equal voting and distribution rights, including repayment of capital in the event of winding up.

22. RESERVES**Profit and loss account**

The profit and loss account represents cumulative profits or losses net of dividends paid and comprehensive income adjustments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. PENSION COMMITMENTS

The Company operates two Pension Schemes.

Defined contribution schemes

The Company operates a Defined contribution pension scheme.

The pension charge for the year represents contributions payable by the Company to the scheme and amounted to £95k (2016: £94k).

There were outstanding contributions at the end of the financial year amounting to £12k (2016: £12k).

Defined benefit schemes

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

The assets of the scheme are held in a separately administered fund and the scheme is administered by a trustee body (independent of Aebi Schmidt UK Limited) that is responsible for ensuring that the scheme is sufficiently funded to meet current and future obligations.

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 £300k per annum will be paid by the Company from 1 January 2018.

The liabilities set out in this note have been calculated based on the results of the full Scheme Funding Assessment as of 31 May 2016, updated to 31 December 2017 by the actuary, allowing for interest and benefits paid. The present value of the defined benefit obligation was measured using the projected unit credit method.

Mortality assumptions:

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2017	2016
Retiring today		
Males	22.0	21.9
Females	24.0	23.9
Retiring in 20 years		
Males	23.3	23.2
Females	25.5	25.4

AEBI SCHMIDT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. PENSION COMMITMENTS (CONTINUED)

Reconciliation of present value of plan assets:

Composition of plan assets:

	2017 £000	2016 £000
Diversified growth funds	2,900	2,696
Corporate bonds	1,015	1,923
Cash	49	37
High Yield Debt	985	-
TOTAL PLAN ASSETS	4,949	4,656

Net pension scheme liability	(2,061)	(2,226)
NET PENSION SCHEME LIABILITY	(2,061)	(2,226)

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Interest on obligation	(54)	(54)
Administration expenses paid	-	(2)
TOTAL	(54)	(56)

Reconciliation of fair value of plan liabilities were as follow:

	2017 £000	2016 £000
Opening defined benefit obligation	6,882	5,903
Administration expenses paid	-	(2)
Administration expense	-	2
Interest cost	175	211
Actuarial losses	234	980
Benefits paid	(281)	(212)
CLOSING DEFINED BENEFIT OBLIGATION	7,010	6,882

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. PENSION COMMITMENTS (CONTINUED)

Reconciliation of fair value of plan assets were as follows:

	2017	2016
	£000	£000
Opening fair value of scheme assets	4,656	4,267
Interest income	121	157
Actuarial gains	158	206
Contributions by employer	295	240
Administration expenses paid	-	(2)
Benefits paid	(281)	(212)
	4,949	4,656

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2017	2016
	%	%
Discount rate/expected return on assets	2.35	2.60
Rate of increase for pensions in payment/inflation	3.15	3.25
Inflation assumption (RPI)	3.25	3.40
Commutation of pensions to lump sums	75.00	75.00

The net pension deficit for the current and previous year is as follows:

Defined benefit pension schemes

	2017	2016
	£000	£000
Defined benefit obligation	(7,010)	(6,882)
Scheme assets	4,949	4,656
DEFICIT	(2,061)	(2,226)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Land and buildings		
Not later than 1 year	142	168
Later than 1 year and not later than 5 years	472	548
Later than 5 years	-	67
	<u>614</u>	<u>783</u>
	2017 £000	2016 £000
Other		
Not later than 1 year	256	266
Later than 1 year and not later than 5 years	287	476
	<u>543</u>	<u>742</u>

25. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of Aebi Schmidt Holding AG, the Company has taken advantage of the exemption contained in FRS102, section 33, 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 26.

The total remuneration for key management personnel for the year totalled £424k (2016: £384k), including the directors' remuneration disclosed in note 8.

26. CONTROLLING PARTY

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

The ultimate parent company is PCS Holding AG, a company incorporated in Switzerland, which owns 57.36% of Aebi Schmidt Holding AG. The ultimate controlling party is Mr P Spuhler.

The smallest and largest group of which the Company is a member for which group financial statements are drawn up is that headed by Aebi Schmidt Holding AG, copies of which may be obtained from Schulstrasse 4, 8500 Frauenfeld, Switzerland.