

Schmitt Europe Limited

Registered number: 3202316

Director's report and financial statements

For the year ended 31 May 2017

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SCHMITT EUROPE LIMITED

COMPANY INFORMATION

Director	A Ferguson
Company secretary	J C Atkinson
Registered number	3202316
Registered office	Unit 2 Leofric Court Progress Way Binley Industrial Estate Coventry CV3 2NT
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 45 Church Street Birmingham B3 2RT
Bankers	HSBC Bank plc Binley Coventry CV3 2TQ

SCHMITT EUROPE LIMITED

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SCHMITT EUROPE LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MAY 2017

The director presents his report and the financial statements for the year ended 31 May 2017.

Director's responsibilities statement

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that he gives 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 director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Director

The director who served during the year was:

A Ferguson

Qualifying third party indemnity provisions

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

Appropriate directors' and officers' liability insurance cover is in place in respect of all the company's directors.

Disclosure of information to auditor

The director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he has 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 auditor is aware of that information.

SCHMITT EUROPE LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the director have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 7 August 2017 and signed on its behalf.



A Ferguson
Director

SCHMITT EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SCHMITT EUROPE LIMITED

We have audited the financial statements of Schmitt Europe Limited for the year ended 31 May 2017 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Respective responsibilities of director and auditor

As explained more fully in the Director's responsibilities statement set out on page 1, the director is 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. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

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

SCHMITT EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SCHMITT EUROPE LIMITED

Matters on which we are required to report by exception

In 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 Directors' Report.

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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.



Ian Holder (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

 August 2017

SCHMITT EUROPE LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MAY 2017

	Note	2017 £	2016 £
Turnover		1,540,598	1,266,495
Cost of sales		(1,119,308)	(901,140)
Gross profit		<u>421,290</u>	<u>365,355</u>
Distribution costs		(61,376)	(55,453)
Administrative expenses		(518,680)	(478,352)
Operating loss		<u>(158,766)</u>	<u>(168,450)</u>
Loss for the financial year		<u>(158,766)</u>	<u>(168,450)</u>

The notes on pages 9 to 17 form part of these financial statements.

SCHMITT EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2017

	Note	2017 £	2016 £
Loss for the financial year		<u>(158,766)</u>	<u>(168,450)</u>
Other comprehensive income		<u></u>	<u></u>
Total comprehensive income for the year		<u><u>(158,766)</u></u>	<u><u>(168,450)</u></u>

SCHMITT EUROPE LIMITED
REGISTERED NUMBER: 3202316

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017

	Note	2017 £	2016 £
Current assets			
Stocks	8	278,215	266,422
Debtors: amounts falling due within one year	9	261,914	226,842
Cash at bank and in hand	10	125,153	100,084
		<u>665,282</u>	<u>593,348</u>
Creditors: amounts falling due within one year	11	<u>(1,250,061)</u>	<u>(1,019,361)</u>
Net current liabilities		<u>(584,779)</u>	<u>(426,013)</u>
Total assets less current liabilities		<u>(584,779)</u>	<u>(426,013)</u>
Net liabilities		<u>(584,779)</u>	<u>(426,013)</u>
Capital and reserves			
Called up share capital		2	2
Profit and loss account		<u>(584,781)</u>	<u>(426,015)</u>
		<u>(584,779)</u>	<u>(426,013)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 August 2017.



A Ferguson
 Director

The notes on pages 9 to 17 form part of these financial statements.

SCHMITT EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 June 2016	2	(426,015)	(426,013)
Comprehensive income for the year			
Loss for the year	-	(158,766)	(158,766)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(158,766)	(158,766)
At 31 May 2017	2	(584,781)	(584,779)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 June 2015	2	(257,565)	(257,563)
Comprehensive income for the year			
Loss for the year	-	(168,450)	(168,450)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(168,450)	(168,450)
At 31 May 2016	2	(426,015)	(426,013)

The notes on pages 9 to 17 form part of these financial statements.

SCHMITT EUROPE LIMITED

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

1. General information

Schmitt Europe Limited is a company limited by shares, incorporated in England and Wales. Its registered office is Unit 2 Leofric Court, Progress Way, Binley Industrial Estate, Coventry CV3 2NT. The principal activity of the company is that of distributing grinding wheel balancers and Laser sensors. The Company operates within the UK and sells to the worldwide market.

The financial statements are prepared in pounds sterling as this is the Company's functional currency, being the currency of the primary economic environment in which the Company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Schmitt Industries Inc. as at 31 May 2017 and these financial statements may be obtained from the registered office.

SCHMITT EUROPE LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £584,779, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Schmitt Industries Inc., the company's ultimate holding company. Schmitt Industries Inc. has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company, and in particular will only seek repayment if Schmitt Europe Limited has the ability to make these repayments. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.4 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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model 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.

SCHMITT EUROPE LIMITED

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

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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.

Depreciation is provided on the following basis:

Leasehold improvements	- straight line over the term of the lease
Plant & machinery	- 10-33% straight line
Office equipment	- 25% straight line

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 in the Income statement.

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 reporting 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.

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 Creditors

Short term 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.

SCHMITT EUROPE LIMITED

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

2. Accounting policies (continued)

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

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 Income statement.

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 of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

2.11 Operating leases

Rentals paid under operating leases are charged to the Income statement on a straight line basis over the lease term.

2.12 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 Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

SCHMITT EUROPE LIMITED

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

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regards, the Directors believe that there are no critical accounting policies where judgements or estimations are necessarily applied.

4. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	10,750	10,500
	<u>10,750</u>	<u>10,500</u>
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	2,000	1,900
	<u>2,000</u>	<u>1,900</u>

5. Employees

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

	2017 No.	2016 No.
Management and administration	6	6
	<u>6</u>	<u>6</u>

SCHMITT EUROPE LIMITED

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

6. Taxation

	2017 £	2016 £
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

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 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	(158,766)	(168,450)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	(31,753)	(33,690)
Effects of:		
Expenses not deductible for tax purposes	1,542	1,136
Unrelieved tax losses carried forward	30,211	32,554
Total tax charge for the year	-	-

Factors that may affect future tax charges

The company has £506k (2016 £350k) of taxable losses to carry forward against future trading profits.

SCHMITT EUROPE LIMITED

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

7. Tangible fixed assets

	Fixtures & fittings £
Cost	
At 1 June 2016	(12,088)
At 31 May 2017	(12,088)
Depreciation	
At 1 June 2016	(12,088)
At 31 May 2017	(12,088)
Net book value	
At 31 May 2017	-
At 31 May 2016	-

8. Stocks

	2017 £	2016 £
Finished goods and goods for resale	278,215	266,422

9. Debtors

	2017 £	2016 £
Trade debtors	186,487	155,252
Other debtors	75,427	71,590
	261,914	226,842

SCHMITT EUROPE LIMITED

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

10. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	125,153	100,084

11. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	34,692	55,513
Amounts owed to group undertakings	1,139,001	910,015
Other taxation and social security	9,155	9,620
Other creditors	67,213	44,213
	1,250,061	1,019,361

12. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £11,823 (2016 - £6,511). Contributions totalling £Nil (2016 - £Nil) were payable to the fund at the reporting date

13. Commitments under operating leases

At 31 May 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Land and buildings		
Not later than 1 year	11,000	10,083
	2017 £	2016 £
Other		
Not later than 1 year	14,835	13,311
Later than 1 year and not later than 5 years	22,253	-
	37,088	13,311

SCHMITT EUROPE LIMITED

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

14. Controlling party

Schmitt Europe Limited is a wholly owned subsidiary of Schmitt Industries Inc., a company incorporated in the United States of America, which is not controlled by a single party. Group financial statements are prepared and are publicly available. Schmitt Industries Inc. is the smallest and largest group to consolidate these financial statements.