

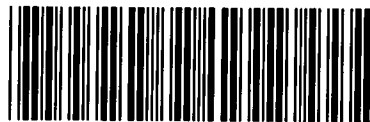
Schmitt Europe Limited

Registered number: 3202316

Director's report and financial statements

For the year ended 31 May 2018

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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 2018

The director presents her report and the financial statements for the year ended 31 May 2018.

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 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 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 she is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- she 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 2018

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 has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 6 February 2019 and signed on its behalf.



A Ferguson
Director

SCHMITT EUROPE LIMITED

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

Opinion

We have audited the financial statements of Schmitt Europe Limited (the 'Company') for the year ended 31 May 2018 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the Director's 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.

SCHMITT EUROPE LIMITED

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 Director's Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

SCHMITT EUROPE LIMITED

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

Responsibilities of Directors

As explained more fully in the Director's responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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



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

8 February 2019

SCHMITT EUROPE LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MAY 2018

	Note	2018 £	2017 £
Turnover		2,249,925	1,540,598
Cost of sales		(1,308,603)	(1,119,308)
Gross profit		<u>941,322</u>	<u>421,290</u>
Distribution costs		(61,125)	(61,376)
Administrative expenses		(582,055)	(518,680)
Operating profit/(loss)		<u>298,142</u>	<u>(158,766)</u>
Profit/(loss) for the financial year		<u><u>298,142</u></u>	<u><u>(158,766)</u></u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the income statement.

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

SCHMITT EUROPE LIMITED
REGISTERED NUMBER: 3202316

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2018

	Note	2018 £	2017 £
Current assets			
Stocks	7	293,534	278,215
Debtors: amounts falling due within one year	8	426,202	261,914
Cash at bank and in hand	9	163,949	125,153
		<u>883,685</u>	<u>665,282</u>
Creditors: amounts falling due within one year	10	<u>(1,170,322)</u>	<u>(1,250,061)</u>
Net current liabilities		<u>(286,637)</u>	<u>(584,779)</u>
Total assets less current liabilities		<u>(286,637)</u>	<u>(584,779)</u>
Net liabilities		<u>(286,637)</u>	<u>(584,779)</u>
Capital and reserves			
Called up share capital		2	2
Profit and loss account		<u>(286,639)</u>	<u>(584,781)</u>
		<u>(286,637)</u>	<u>(584,779)</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 6 February 2019.



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 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 June 2017	2	(584,781)	(584,779)
Comprehensive income for the year			
Profit for the year	-	298,142	298,142
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	298,142	298,142
At 31 May 2018	2	(286,639)	(286,637)

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

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)

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 2018

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 2018 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 2018

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £286,637, 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 2018

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 2018

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 2018

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. Employees

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

	2018 No.	2017 No.
Management and administration	<u>6</u>	<u>6</u>

SCHMITT EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

5. Taxation

	2018 £	2017 £
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 lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19.0% (2017 - 20.0%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	298,142	(158,766)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017 - 20.0%)	56,647	(31,753)
Effects of:		
Expenses not deductible for tax purposes	380	1,542
Utilisation of tax losses	(57,027)	-
Unrelieved tax losses carried forward	-	30,211
Total tax charge for the year	-	-

Factors that may affect future tax charges

The company has £206k (2017 £506k) of taxable losses to carry forward against future trading profits.

SCHMITT EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

6. Tangible fixed assets

	Fixtures & fittings £
Cost	
At 1 June 2017	12,088
At 31 May 2018	12,088
Depreciation	
At 1 June 2017	(12,088)
At 31 May 2018	(12,088)
Net book value	
At 31 May 2018	-
At 31 May 2017	-

7. Stocks

	2018 £	2017 £
Finished goods and goods for resale	293,534	278,215

8. Debtors

	2018 £	2017 £
Trade debtors	342,664	186,487
Other debtors	83,538	75,427
	426,202	261,914

SCHMITT EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

9. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	163,949	125,153

10. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	36,923	34,692
Amounts owed to group undertakings	1,013,165	1,139,001
Other taxation and social security	6,424	9,155
Other creditors	113,810	67,213
	1,170,322	1,250,061

11. Contingent liabilities

The company has provided a performance guarantee to an overseas customer for €50,000 (2017: Nil).

No liability is expected to arise from this guarantee.

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 £23,394 (2017 - £11,823). Contributions totalling £Nil (2017 - £Nil) were payable to the fund at the reporting date

SCHMITT EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

13. Commitments under operating leases

At 31 May 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	12,027	11,000
	<u>2018</u> £	<u>2017</u> £
Not later than 1 year	14,835	14,835
Later than 1 year and not later than 5 years	7,418	22,253
	<u>22,253</u>	<u>37,088</u>

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.