Johnston Sweepers Limited

Annual report and financial statements for the year ended 31 December 2016

Registered number: 199841

Johnston Sweepers Limited

Annual report and financial statements

for the year ended 31 December 2016

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Johnston Sweepers Limited

Directors and advisers for the year ended 31 December 2016

Directors

R Baillod (resigned on 30.09.2016)
D F Bishop
N C Brunning
W J Halley
M E C Johansson (appointed on 01.10.2016)
C F Offley
P G Rhodes (appointed on 03.03.2016)
P C van Rosmalen (resigned on 03.03.2016)

Company Secretary

N C Brunning

Registered office

Curtis Road Dorking
Surrey
RH4 1XF

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Portland Building
25 High Street
Crawley
West Sussex
RH10 1BG

Solicitors

Downs Solicitors LLP
156 High Street
Dorking Surrey
RH4 1BQ

Eversheds LLP
One Wood Street
London
EC2V 7WS

Registered number

199841

Johnston Sweepers Limited

Strategic report for the year ended 31 December 2016

The directors have pleasure in presenting their strategic report for the year ended 31 December 2016.

Business review and principal activities
Johnston Sweepers Limited manufactures, supports and services road cleansing vehicles through its operations in the UK and markets its products worldwide.

Following a record year in 2015, revenue reduced by 9.9% in 2016 (2015: increase 9.4%) to £78.0m (2015: £86.6m). With the lower activity levels in 2016 average headcount fell by 6.4% to 450 employees and sales per employee fell by 3.7% to £173.4 per employee (2015: £180.1).

Operating profit reduced from £10.3m to £6.6m. Operating margins reduced from 11.8% to 8.5% due to the lower recovery of fixed costs resulting from the fall in production levels. There was also an exceptional item of £1.6m relating to a product recall campaign to repair and strengthen truck mounted sweeper bodies. The directors are satisfied with the Company's financial position at the reporting date, with a cash balance of £7.7m (2015: £11.4m) and net assets of £20.0m (2015: £23.8m).

With the lower level of operating profit and an £0.8m reduction in income from shares in group undertakings, return on capital employed reduced to 32.2% (2015: 46.4%).

These results are reflected within our key performance indicators set out below.

The results for the financial year are set out on page 11.

Key performance indicators (KPI's)

KPI	2016	2015	Description
Change in revenue	-9.9%	9.4%	Change in revenue relative to the previous year
Operating margin	8.5%	11.8%	Operating profit expressed as a percentage of sales
Revenue per employee (GBP 000's per employee)	173.4	180.1	Revenue divided by total employees
Return on capital employed	32.2%	46.4%	Profit for year after tax as a percentage of closing equity 'shareholders' funds

Principal risks and uncertainties
Road cleansing equipment sales are linked to public spending on roads and municipal road cleansing budgets. These sectors are affected by the political environment, changes in central government funding and the general world economy. Whilst the Company is able to reduce these effects with a diverse geographical mix of customers, there is continued uncertainty due to geopolitical risks and more recently the impact of the EU referendum which will result in the United Kingdom leaving the European Union.

Strategic report for the year ended 31 December 2016 (continued)

Health, safety and the environment
The Company takes seriously its responsibilities to employees, customers and the environment. The Company has its own safety officer who advises on accident prevention and safety in the Company's factories. The Company's products are designed to comply with the latest safety standards and the directors are kept regularly informed on all aspects of safety.

Approved by the board and signed on behalf of the board by Nigel Brunning.

N C Brunning
Company Secretary

5 May 2017

Johnston Sweepers Limited

Directors' report for the year ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Future outlook
As reported last year, we still expect the impact of restrictions on European municipal budgets to have a strong influence on sales as governments continue to control spending. The recent recovery in the UK truck mounted sector is expected to continue into the first half of 2017 after which point the future is more uncertain following the UK vote to leave the European Union. We hope to build on our successful growth in the Americas and continue to look for opportunities in Asia and other parts of the world.

In February 2016 Bucher Industries AG announced the concentration of manufacturing activities for series-production sweepers at the main sites in Great Britain (truck-mounted sweepers) and Latvia (compact sweepers) as well as the closure of end-assembly of sweepers in Switzerland to secure long-term competitiveness and cost leadership.

Research and development
Research and development costs incurred by the Company in the financial year amounted to £2,787,000 (2015: £2,950,000). In 2016 the Company launched a new single engine powered truck mounted sweeper. This new product named Mekavac does not have an auxiliary engine to power the sweeper but instead it is fully powered from the chassis engine leading to lower emissions and improved efficiency. Following the successful launch of the ES351 Mechanical sweeper into the North American market we have been improving this product to meet specific customer requirements. Other development activities remained focused on the continuous improvement of quality and reliability and updating products to meet customer demands. Expenditure on research and development was fully expensed during the year, consistent with the treatment adopted in previous years.

Dividends
An interim dividend of £1,250 per ordinary share (2015: £1,375), amounting to £10.0m (2015: £11.0m) was paid on 28 April 2016. A final dividend for 2016 has not been declared (2015: nil).

Financial risk management
The Company's operations are exposed to a variety of financial risks that include the effects of credit risk, liquidity risk, exchange risk and interest rate risk.

Credit risk is managed by a combination of pre-delivery credit controls and, if appropriate, credit insurance. Management is continually reviewing credit facilities to control the risk of bad debts.

The Company is fully owned by Bucher Industries AG and therefore has access to the group's banking facilities and treasury services which enable the Company to minimise liquidity, exchange rate and interest rate risk. Short term liquidity demands are met by flexible loan facilities from the parent company, these loans are provided at competitive market rates denominated in sterling and therefore not subject to exchange rate risk.

Predicted foreign currency exposures are hedged in order to reduce the downside risk of exchange rate fluctuations in the short to medium term.

Employment matters
The Company is committed to policies of non-discrimination to promote equal opportunities in employment regardless of race, colour, religion, disability, age, sex, sexual orientation, gender re-assignment, marital/civil partnership status, ethnic or national origin to all employees and job applicants. A Company handbook is made available to all employees and there is a system of regular employee briefing and regular newsletters. The Company accepts its duties and

Employment matters (continued)
responsibilities towards people who are disabled or become disabled whilst employed by the Company as defined under the Disability Discrimination Act, including the duty to make reasonable adjustments to the working arrangements/premises to try and minimise any disadvantage that may arise. All employees participate in a profit related bonus scheme that encourages employee involvement in the Company's performance. All employees sign the Company's code of conduct directive.

Directors
The names of the directors holding office during the year and up to the date of signing the financial statements are set out below:

R Baillod (resigned on 30.09.2016)
D F Bishop
N C Brunning
W J Halley
M E C Johansson (appointed on 01.10.2016)
C F Offley
P G Rhodes (appointed on 03.03.2016)
P C van Rosmalen (resigned on 03.03.2016)

Disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps (such as making enquiries of other directors and any other steps required by the directors' duty to exercise due care, skill and diligence) that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities
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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

Johnston Sweepers Limited

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities (continued)

- 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.

Approved by the board and signed on behalf of the board by Nigel Brunning.

N C Brunning
Company Secretary
5 May 2017

Johnston Sweepers Limited

Independent auditors' report to the members of Johnston Sweepers Limited

Report on the financial statements

Our opinion
In our opinion, Johnston Sweepers Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

What we have audited
The financial statements, included within the Annual report and financial statements (the "Annual report"), comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
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, 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Johnston Sweepers Limited (continued)

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of directors' responsibilities set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.
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.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

M. Haverson

Matthew Haverson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick 5 May 2017

Johnston Sweepers Limited

Statement of comprehensive income for the year ended 31 December 2016

Registered Number: 199841

	Note	**2016 £'000**	2015 £'000
Revenue	2	**78,023**	86,637
Net operating expenses	3	**(71,414)**	(76,375)
Operating profit		**6,609**	10,262
Profit on disposal of land and buildings		**0**	166
Income from shares in group undertakings		**1,811**	2,630
Finance income	6	**18**	23
Finance costs	6	**(672)**	(655)
Finance costs - net		**(654)**	(632)
Profit before income tax		**7,766**	12,426
Income tax expense	7	**(1,310)**	(1,384)
Profit for the financial year		**6,456**	11,042
Other comprehensive expense			
Revaluation of forward hedging contracts		**(238)**	(73)
Total tax on components of other comprehensive expense		**45**	12
Other comprehensive expense for the year, net of tax		**(193)**	(61)
Total comprehensive income for the year		**6,263**	10,981

All amounts derive from continuing operations.

Johnston Sweepers Limited

Statement of financial position as at 31 December 2016

Registered Number: 199841

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Intangible assets	8	**41**	57
Property, plant and equipment	9	**18,009**	18,713
Investments	10	**4,853**	4,853
		22,903	23,623
Current assets			
Inventories	11	**11,270**	13,666
Trade and other receivables	12	**16,627**	14,357
Cash and cash equivalents		**7,663**	11,445
		35,560	39,468
Total assets		**58,463**	63,091
Equity and liabilities			
Called up share capital	14	**8**	8
Other reserves	14	**(71)**	122
Retained earnings	7	**20,136**	23,680
Total equity		**20,073**	23,810
Liabilities			
Non-current liabilities			
Trade and other payables	17	**17,950**	19,950
		17,950	19,950
Current liabilities			
Trade and other payables	15	**16,404**	17,873
Provisions for liabilities	16	**4,036**	1,458
		20,440	19,331
Total liabilities		**38,390**	39,281
Total equity and liabilities		**58,463**	63,091

The financial statements on pages 11 to 36 were approved by the board of directors on 5 May 2017 and were signed on its behalf by:

Clive Offley
Director

Johnston Sweepers Limited

Statement of changes in equity for the year ended 31 December 2016

Registered Number: 199841

	Note	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance as at 1 January 2015		8	23,638	183	23,829
Profit for the financial year		-	11,042	-	11,042
Other comprehensive expense for the year		-	-	(61)	(61)
Total comprehensive income for the year		-	11,042	(61)	10,981
Dividend paid	18	-	(11,000)	-	(11,000)
Total transactions with owners, recognised directly in equity		-	(11,000)	-	(11,000)
Balance as at 31 December 2015		**8**	**23,680**	**122**	**23,810**

	Note	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance as at 1 January 2016		**8**	**23,680**	**122**	**23,810**
Profit for the financial year		-	6,456	-	6,456
Other comprehensive expense for the year		-	-	(193)	(193)
Total comprehensive income for the year		-	6,456	(193)	6,263
Dividend paid	18	-	(10,000)	-	(10,000)
Total transactions with owners, recognised directly in equity		-	(10,000)	-	(10,000)
Balance as at 31 December 2016		**8**	**20,136**	**(71)**	**20,073**

Johnston Sweepers Limited

Notes to the financial statements for the year ended 31 December 2016

1 Principal accounting policies

General information
Johnston Sweepers Limited is a private company limited by shares and it is incorporated in the United Kingdom. The address of its registered office is Curtis Road, Dorking, Surrey, RH4 1XF.

The principal activity of the Company is to manufacture, support and service road cleansing vehicles through its operation in the UK and markets its products worldwide.

Statement of compliance
The individual financial statements of Johnston Sweepers Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The Company has also early adopted the amendments to FRS 102 (issued in July 2015).

Summary of significant accounting policies
A summary of principal accounting policies, all of which have been applied consistently throughout the financial year, is set out below.

(a) Basis of preparation
These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(u).

(b) Going concern
The Company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the Company's products; and (b) the availability of bank finance for the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1 Principal accounting policies (continued)

(c) Exemption for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Bucher Industries AG which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

(i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
(ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
(iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
(iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

(d) Consolidated financial statements
As permitted by S401 of the Companies Act 2006, consolidated financial statements have not been prepared since the Company is a wholly owned subsidiary undertaking of Bucher Industries AG. It is included in the consolidated financial statements of Bucher Industries AG which are publicly available. The Company's interest in subsidiary undertakings is shown at original sterling cost less amounts written off, with dividends received and receivable being recorded in the statement of comprehensive income.

(e) Foreign currencies
(i) Functional and presentation currency
The Company's functional and presentation currency is the pound sterling.

(ii) Transaction 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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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.

1 Principal accounting policies (continued)

(f) Revenue
Revenue is defined as the value of goods and services supplied net of trade discounts, value added tax and other sales related taxes.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

(i) Sale of goods
Revenue in the United Kingdom is generally recognised upon delivery of the vehicle or goods to the customer or their local dealer. Export sales revenue is recognised in accordance with the Incoterms, appropriate to the customer order.

(ii) Warranty income
Revenue in respect of standard first year warranty is included in the basic price of machines sold. The policy for standard warranty is that provision is made for the expected cost arising from this first year warranty obligation.

(iii) Sale of services
Revenue in respect of service contracts is recognised in equal instalments over the life of the contract. Revenue for extended warranty is released over the warranty period which based on historical experience of claims made by customers, recognises a larger proportion of the revenue as the machine becomes older. The deferred income is held as a creditor in the statement of financial position until revenue has been fully released at the end of the service or warranty period.

(iv) Other operating income
Other operating income includes services to group companies, exchange gains and the sale of waste materials.

(v) Deferred income
Deferred income relates to warranty and service contracts sold in conjunction with machines, which are recognised over the period of the warranty.

(g) Exceptional items
Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. These are disclosed separately to provide further understanding of the financial performance of the Company.

1 Principal accounting policies (continued)

(h) Employee benefits
The Company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans
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 obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

(i) Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that are applicable to the financial period.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period-end and that are expected to apply to the reversal of the timing difference.

(j) Research and development
All research and development expenditure is written off as incurred, as is expenditure in respect of patents and trademarks.

1 Principal accounting policies (continued)

(k) Intangible assets
Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life of 4 years on a straight-line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(l) Property, plant and equipment
Property, plant and equipment are stated at cost or historical valuation less accumulated depreciation. Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation of property, plant and equipment over their estimated useful lives.
The estimated useful lives generally in use are:

Freehold and long leasehold	Land	Not depreciated
	Buildings	50 years
Plant and machinery	Fixed	8 years
	Mobile	4 years
Assets under construction		Not depreciated

The carrying value of property, plant and equipment is reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of property, plant and equipment below depreciated cost is charged to the statement of comprehensive income. Assets in the course of construction are not depreciated until they are commissioned. Commissioning is deemed to have occurred once the asset has completed its testing phase and is being utilised in production.

Assets which are solely being held for the purpose of re-sale are separately disclosed in note 9. Where their net book value is below the expected sales proceeds or the asset category is not depreciated, then no further depreciation is charged to the statement of comprehensive income until disposal.

Property, plant and equipment are de-recognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposals proceeds and the carrying amount is recognised in profit or loss.

(m) Leases
At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets
Leases that do not transfer all the risk and rewards of ownership are classified as operating leases. Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

1 Principal accounting policies (continued)

(m) Leases (continued)

(ii) Lease incentives
Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

(n) Inventories

Inventories are valued on a weighted average basis at the lower of cost and estimated selling price less cost to complete, which includes production overheads. Provision is made for those parts that are identified as obsolete, slow moving, or have inventory levels in excess of normal usage levels.

If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

(o) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

(p) Investments

Investments in subsidiaries are valued at cost less accumulated impairment losses. An impairment review is undertaken if events occur that suggest the carrying value may not be recoverable in full.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Johnston Sweepers Limited

Notes to the financial statements for the year ended 31 December 2016

1 Principal accounting policies (continued)

(r) Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(s) Financial instruments
The Company has chosen to adopt the recognition and measurement provisions of IAS 39 (as amended following the publication of IFRS 9) and disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Classification
The Company classifies its financial assets in the following categories:
- measured at fair value through profit or loss (FVTPL);
- measured at fair value through other comprehensive income (FVOCI); and
- measured at amortised cost

Financial liabilities are classified in the following categories:
- measured at fair value through profit or loss (FVTPL); and
- measured at amortised cost

(ii) Measurements
At initial recognition, the Company measures a financial asset and liability at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Assets classified as subsequently measured at amortised cost, the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in the statement of comprehensive income. On de-recognition, any gain or loss is recognised in the statement of comprehensive income.

Assets classified as subsequently measured at fair value through other comprehensive income, the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in the statement of comprehensive income. Other gains and losses on re-measurement to fair value are recognised in other comprehensive income. On de-recognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to statement of comprehensive income.

1 Principal accounting policies (continued)

(s) Financial instruments (continued)

(ii) Measurements (continued)
Financial liabilities held for trading; derivatives; and financial liabilities designated as at fair value through profit or loss on initial recognition are subsequently measured at fair value with all gains and losses being recognised in the statement of comprehensive income.

Financial liabilities that are not classified at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

(iii) Derivative and hedging activities
The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in the statement of comprehensive income and accumulated in reserves in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the statement of comprehensive income.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(iv) Impairment
At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

1 Principal accounting policies (continued)

(s) Financial instruments (continued)

(iv) Impairment (continued)
If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

(v) De-recognition
Financial assets are de-recognised when (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or has expired.

(vi) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(t) Related party transactions

The Company is exempt from the requirement of paragraph 33.1A of FRS 102 to disclose transactions with other group subsidiaries on the grounds that the Company is wholly owned by Bucher Industries AG which publishes consolidated financial statements (note 23). The Company is included in the consolidated financial statements of Bucher Industries AG, whose financial statements are publicly available. Therefore the Company has not disclosed transactions or balances with wholly-owned entities that are included in the consolidated financial statements of Bucher Industries AG.

1 Principal accounting policies (continued)

(u) Critical judgements and estimates in applying the accounting policies
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of property, plant and equipment
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of property, plant and equipment and note 1 for the useful economic lives for each class of asset.

(ii) Obsolete stock provisions
Obsolete stock is calculated using a formula that takes into account slow and non-moving parts and also progressively writes down those parts which have quantities that are in excess of current annual sales levels.

(iii) Warranty provisions and warranty campaigns
Warranty costs are calculated with reference to the level of sales of each product category during the preceding 12 month period and the average percentage first year warranty cost per machine category. The costs of any warranty campaigns that have been identified but not completed are estimated and included in separate provisions.

2 Revenue

Geographical analysis of revenue by destination:	**2016 £'000**	2015 £'000
Europe	**59,644**	69,537
Rest of the world	**18,379**	17,100
	78,023	86,637

All sales relate to street cleansing related business and originate in the United Kingdom.

An analysis of revenue by category:	**2016 £'000**	2015 £'000
Sale of goods	**75,200**	84,127
Sale of services	**2,823**	2,510
	78,023	86,637

Johnston Sweepers Limited

Notes to the financial statements for the year ended 31 December 2016

3 Net operating expenses

	2016 £'000	2015 £'000
Change in inventory of finished goods and work-in-progress	**2,409**	1,869
Raw materials and consumables	**39,957**	44,817
Other operating income	**(1,975)**	(1,615)
Other operating charges	**12,375**	11,405
Staff costs (see note 5)	**16,779**	18,095
Depreciation and amortisation of owned assets	**1,869**	1,804
Operating expenses less other income	**71,414**	76,375
Operating profit is stated after charging / (crediting) :		
Exceptional items	**1,615**	-
Operating lease rentals	**721**	749
Currency exchange rate gains	**(355)**	(382)
Research and development costs	**2,787**	2,950
Services provided by the company's auditor:		
Fees payable for the audit	**44**	45
Fees payable for other services	**-**	15

The exceptional item in 2016 relates to a product recall campaign to repair and strengthen truck mounted sweeper bodies.

4 Directors' remuneration

	2016 £'000	2015 £'000
Aggregate remuneration	**768**	588
Contributions to group personal pension schemes	**40**	28

The Company operates a group personal pension scheme with Legal & General. This is a defined contribution scheme. Retirement contributions were paid to 5 of the directors holding office during the year (2015: 4).

Highest paid director	2016 £'000	2015 £'000
Aggregate remuneration	**196**	165
Contributions to group personal pension schemes	**10**	8

The remuneration of one director is paid by the parent company Bucher Industries AG. This director receives no remuneration in respect of their services to the Company.

Johnston Sweepers Limited

Notes to the financial statements for the year ended 31 December 2016

5 Employee information including pensions

	2016 £'000	2015 £'000
Wages and salaries	**14,532**	15,628
Social security costs	**1,495**	1,737
Other pension costs	**752**	730
Staff costs	**16,779**	18,095

The above figures include £25,645 (2015: £58,230) in redundancy payments made during the year. There were no outstanding pension contributions payable to the scheme as at the 31 December 2016 (2015: £nil).
The average monthly number of persons (including executive directors) employed by the Company during the year was:

By activity	**2016 Number**	2015 Number
Direct	**231**	254
Indirect	**219**	227
Total	**450**	481

6 Net finance cost

	2016 £'000	2015 £'000
Bank interest receivable	**(8)**	(11)
Group interest receivable	**(10)**	(12)
Finance income	**(18)**	(23)
Group interest payable	**672**	655
Finance costs	**672**	655
Net finance costs	**654**	632

7 Income tax expense

Analysis of charge in the year	2016 £'000	2015 £'000
Current tax:		
UK corporation tax on profits of the year	**1,234**	1,970
Adjustments in respect of prior years	**76**	(126)
Total current tax	**1,310**	1,844
Deferred tax:		
Capital allowances and other timing differences	**30**	80
Effect of changes in tax rates	**6**	(1)
Adjustments in respect of prior years	**(36)**	(539)
Total deferred tax (note 13)	**-**	(460)
Tax on profit	**1,310**	1,384

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The main rate of corporation tax was reduced from 21% to 20% with effect from 1 April 2015. Under current legislation already enacted the rate is set to fall to 19% from 1 April 2017 and to 17% from 1 April 2020. Given this, the Company expects a reduction in its effective tax rate in future years.

The Company's profit for the financial year has been taxed at an effective rate of 16.9% (2015: 11.1%). The difference between the actual tax charge and the standard rate of corporation tax is explained as follows:

	2016 £'000	2015 £'000
Profit before taxation	**7,766**	12,426
Profit multiplied by standard rate in the UK of 20% (2015: 20.25%)	**1,553**	2,516
Effects of:		
Expenses not deductible for tax purposes	**73**	80
Capital disposals	**-**	(15)
Income not subject to tax	**(362)**	(532)
Effect of changes in tax rates	**6**	(1)
Adjustments in respect of prior years	**40**	(664)
Total tax charge for the year	**1,310**	1,384

Johnston Sweepers Limited

Notes to the financial statements for the year ended 31 December 2016

8 Intangible assets

	Computer software £'000	Total £'000
Cost or valuation		
At 1 January 2016	258	258
Additions	4	4
At 31 December 2016	**262**	**262**
Accumulated amortisation		
At 1 January 2016	201	201
Charge for the year	20	20
At 31 December 2016	**221**	**221**
Net book value		
At 31 December 2016	**41**	**41**
At 1 January 2016	57	57

9 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Asset under construction £'000	Total £'000
Cost or valuation				
At 1 January 2016	16,409	12,945	-	29,354
Additions	129	672	391	1,192
Disposals	-	(231)	-	(231)
At 31 December 2016	**16,538**	**13,386**	**391**	**30,315**
Accumulated depreciation				
At 1 January 2016	2,202	8,439	-	10,641
Charge for the year	549	1,300	-	1,849
Disposals	-	(184)	-	(184)
At 31 December 2016	**2,751**	**9,555**	-	**12,306**
Net book value				
At 31 December 2016	**13,787**	**3,831**	**391**	**18,009**
At 1 January 2016	14,207	4,506	-	18,713

Land and buildings includes £3,765,000 (2015: £3,765,000) of freehold land that is not depreciated.

The Company's freehold and leasehold interests in land and buildings in the United Kingdom were valued by Messrs. Gerald Eve, Chartered Surveyors as at 31 December 1998, for a value of £5,272,000. The valuations were prepared in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors (the Red Book) on the basis of existing use. The valuations were incorporated into the balance sheet at 31 December 1998 as equivalent to cost, and have been retained at their carrying amounts. The Company continues to use this valuation as deemed cost by adopting the transition exemption under FRS 102 paragraph 35.10(d).

10 Investments

Investments	**Group companies £'000**
Cost and net book value	
At 31 December 2015 and at 31 December 2016	4,853

The Company has the following subsidiaries:

Name and address	Proportion of capital held by the Company	Country of incorporation	Activity
Bucher Municipal Pty Limited 65-73 Nantilla Road, Clayton, Victoria, 3168 NSW, Australia	100	Australia	Manufacture of refuse vehicles and distribution of Johnston road cleansing equipment
Beam A/S Salten Skovvej 4-6, DK8653, Denmark	100	Denmark	Manufacture of special application road sweeping vehicles and distribution of Johnston road cleansing equipment
Johnston Engineering Limited Curtis Road, Dorking, Surrey, UK	100	United Kingdom	Dormant

The share classes held are ordinary shares unless otherwise stated.

11 Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	**76**	63
Work-in-progress	**4,518**	7,255
Finished goods and goods for resale	**6,676**	6,348
	11,270	13,666

The amount of inventory recognised as an expense during the year was £41,344,000 (2015: £45,693,000).

There is no material difference between the carrying amount of inventory and the replacement cost.

12 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**5,705**	5,525
Amounts owed by group undertakings - cash pooling	**4,957**	4,267
Amounts owed by group undertakings - other	**3,894**	3,637
Other debtors	**30**	122
Other taxation and social security	**209**	137
Prepayments and accrued income	**1,832**	669
	16,627	14,357

The Company participates in the Bucher Group euro cash pool facility, the interest rate on daily balances held within the cash pool during the year was 0.25% in Q1 and 0.10% in Q2, Q3 and Q4.

Other amounts owed by group undertakings are unsecured, interest free and repayable in the range of 30 to 90 days from the end of the month of invoice.

13 Deferred tax

	2016 £'000	2015 £'000
Deferred tax asset / (liability) at beginning of the year	**137**	(323)
Effect of changes in tax rates	**6**	(1)
Capital allowances and other timing differences	**30**	80
Adjustments in respect of prior years	**(36)**	(539)
Movement in year (note 7)	**-**	460
Movement recognised in other comprehensive income	**45**	-
Deferred tax asset at end of the year	**182**	137

	2016 £'000	2015 £'000
Accelerated capital allowances	**43**	32
Short term timing differences	**139**	105
Deferred tax asset	**182**	137

Deferred tax assets and liabilities have been calculated on the basis of the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates that had been enacted or substantively enacted at the reporting date.

14 Called up share capital and other reserves

	2016 £'000	2015 £'000
Authorised		
100,000 (2015: 100,000) ordinary shares of £1 each	**100**	100
Allotted and fully paid		
8,000 (2015: 8,000) ordinary shares of £1 each	**8**	8

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

14 Called up share capital and other reserves (continued)

Other reserves

Other reserves consist of the following amounts:

	Hedging reserve £'000	Revaluation reserve £'000	Total £'000
At 1 January 2016	(127)	249	122
Revaluation of forward hedging contracts	(193)	-	(193)
At 31 December 2016	**(320)**	**249**	**(71)**

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments or foreign exchange risk in firm commitments or highly probable forecast transactions. Changes in the fair values of derivatives are recognised in the statement of comprehensive income. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings.

15 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	**8,068**	10,095
Amounts owed to group undertakings	**1,248**	896
Other creditors	**1,231**	532
Corporation tax	**696**	658
Other taxation and social security	**400**	931
Accruals and deferred income	**4,761**	4,761
	16,404	17,873

In respect of the amounts owed to group undertakings, no fixed repayment terms exist and no interest is accruing in respect of these amounts.

16 Provisions for liabilities

	Warranty £'000	Other £'000	Total £'000
At 1 January 2016	1,165	293	1,458
Charged to the profit and loss	4,319	(131)	4,188
Utilised during the year	(1,570)	(40)	(1,610)
At 31 December 2016	**3,914**	**122**	**4,036**

17 Non-current trade and other payables

	2016 £'000	2015 £'000
Amounts owed to group undertakings	17,950	19,950

Amounts owed to group undertakings comprise of a loan from Bucher Guyer Finanz AG, the loan will expire in June 2019. Interest is charged at the rate of 2.57% above LIBOR, which is regularly reviewed. The total interest charge on group loans in 2016 and 2015 is shown in note 6.

18 Dividends

Equity - Ordinary	**2016 £'000**	2015 £'000
Interim paid : £1,250 per £1 share (2015: £1,375)	**10,000**	11,000

19 Contingent liabilities

There is a contingent liability in respect of a bond guarantee entered into in the ordinary course of business. This liability is valued at £200,000 at the 31 December 2016 (2015: £200,000).

20 Capital commitments

	2016 £'000	2015 £'000
Capital commitments contracted for but not provided	**50**	27

21 Financial commitments

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

	2016 £'000	2015 £'000
Payments due:		
Not later than one year	**479**	532
Later than one year and not later than five years	**1,087**	1,125
Later than five years	**7,212**	7,376
	8,778	9,033

22 Post balance sheet events

There were no material post balance sheet events.

23 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Bucher Industries AG, a Company incorporated in Switzerland listed on the SIX Swiss exchange (BUCN). The largest and smallest group in which the results of the Company are consolidated is that of its ultimate parent company, Bucher Industries AG.

Consolidated financial statements are available from Bucher Industries AG, Murzlenstrasse 80 CH-8166 Niederweningen, Switzerland, or via download from the investor relations section of the group website: www.bucherindustries.com