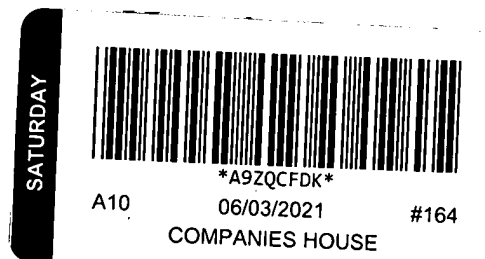


Registration number: 00751804

FAUN ZOELLER (UK) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



FAUN ZOELLER (UK) LIMITED

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FAUN ZOELLER (UK) LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | S Hyde |
| | R Horton |
| | S Gregory |
| Company secretary | R Horton |
| Registered office | Units 4 & 5 Colemeadow Road Moons Moat North Industrial Estate Redditch Worcestershire B98 9PB |
| Bankers | Barclays Bank plc PO Box 5960 6th Floor Snowhill Snowhill Queensway Birmingham B4 6GB |
| Auditors | Hazlewoods LLP Staverton Court Staverton Cheltenham GL51 0UX |

FAUN ZOELLER (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the company is that of the sale and service of refuse collection vehicles.

Fair review of the business and future developments

Although turnover was slightly lower, which was due to lower non-margin chassis activity, margins remained strong for the trading period. The management team acted very quickly in March after the realisation of COVID-19 and procedures and processes were in place presenting no disruption to the business and the trading operation. Group suppliers were also quick to react thus protecting the supply chain with no disruption to any clients or other trading partners.

There was a significant increase in aftersales and service activity with no disruption to the clients through the management and security of the supply chain and the appropriate working practices.

The management team took the opportunity during the trading period to hit the 'Reset Button' and re-define its approach to sales and marketing which is now in place, ready for life post COVID.

The pipeline remains very strong with the redefined product strategy now effective. Considerable investment still being made in the decarbonisation programme with several projects likely to be realised in 2022 and beyond.

The SAP system project which will go live in the first quarter of 2021 is well placed and the introduction of "Gold Standards" in the company has followed the continuous improvement philosophy of the business and IIP accreditation is expected in 2022.

Despite the economic outlook and the scars of COVID-19 the management team are extremely positive and optimistic for the next trading periods performance.

Principal risks and uncertainties

The execution of the company's strategy is subject to a number of risks. The process of identifying and managing risk is overseen by the directors and management.

The key business risks and uncertainties affecting the company are summarised as;

COVID-19

As the company operates as a key supplier to the waste disposal sector, it was crucial to remain "business as usual" and the company implemented immediate changes to allow safe uninterrupted service, parts and equipment supply. Our IT infrastructure enabled all office-based staff to initially work from home whilst we implemented changes at our offices in Redditch including temperature checks, one-way systems, increased hand-washing stations, protective screens in our open plan offices, and face coverings issued to all staff and families.

Our front-line service staff were provided with additional PPE and modified ways of working and a small number of employees were placed on furlough scheme following risk assessment.

These actions combined with our strong order book have minimised the impact of COVID-19 on the Company.

We are continually monitoring the government's guidelines as the situation evolves to ensure we are able to safely support our customers.

Liquidity risk

The directors' aim is to ensure the company has sufficient liquid resources to meet its operational requirements. This is closely monitored to minimise the exposure to risk.

Interest rate risk

Certain of the company's borrowings bear interest rates linked to the bank base rate. The company is therefore subject to interest rate risk. The company has close dialogue with its lenders and closely monitors the interest rate charge to minimise the exposure to this risk.

Credit risk

The company offers its customers credit. Before credit terms are agreed, an assessment of the customer's credit rating is undertaken to ensure there is not a major credit risk to the company. Credit limits are set accordingly.

FAUN ZOELLER (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

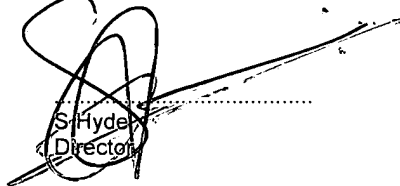
Price and foreign exchange rate risk

The company has a significant number of non-sterling currency transactions. As a result, exchange rate fluctuations impact on the results and cash flows of the company. The company utilises natural hedges to minimise this risk.

Impact of Brexit

The full business implications remain uncertain, which will be the case for some time, and any risks arising will be a key focus for management in the next financial year. Currency fluctuations, trading arrangements, employment issues and other risks that become apparent over time will be monitored by management and mitigation put in place where possible.

Approved by the Board on 3.3.2021 and signed on its behalf by:


S. Hyde
Director

FAUN ZOELLER (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the company

The directors who held office during the year were as follows:

S Hyde

R Horton

S Gregory

Going concern

The directors have prepared detailed cash flow forecasts for the company for more than 12 months from the approval of these financial statements, which consider the current COVID-19 outbreak and its potential impact on the business. Like many businesses in the current environment, the outbreak of COVID-19 has the potential to cause serious operational and financial disruption. These disruptions were mitigated by risk assessment and changes to our way of working to ensure we were fully compliant with the government guidelines on social distancing and guidance on working safely during COVID-19. These changes have enabled us to remain fully operational and able to service our customers throughout the period.


At the year end the company has net assets of £1,900,282 (2019 - £1,197,247). The intermediate parent undertaking, (Faun Umwelttechnik GmbH & Co Kg), have confirmed that they will, if required, continue to provide financial support.

Considering these factors, the forecasts indicate the company can operate within its facilities and meet its liabilities as they fall due and accordingly the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 3.3.2021 and signed on its behalf by:



S Gregory
Director

FAUN ZOELLER (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FAUN ZOELLER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAUN ZOELLER (UK) LIMITED

Opinion

We have audited the financial statements of FAUN Zoeller (UK) Limited (the 'company') for the year ended 31 December 2020, which comprise the Profit and Loss Account, Balance Sheet, 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 Financial Reporting Standard 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 December 2020 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.

Emphasis of matter

We draw attention to note 2 to the financial statements which describes an uncertainty relating to the recoverability of the amounts owed by the company's subsidiary undertaking, FAUN Trackway Limited. Our opinion is not qualified in respect of this matter.

In forming our opinion on the financial statements, we have considered the disclosures made in note 2. The recoverability of the debtor is dependent on the subsidiary undertaking winning new contracts and generating income. Due to the size of the debtor, the recoverability of the balance represents a material uncertainty. The financial statements do not include any adjustments that would result if the debtor were to prove irrecoverable.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

FAUN ZOELLER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAUN ZOELLER (UK) LIMITED

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 either 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company financial statements or that had a fundamental effect on the operations of the company. We determined that the most significant laws and regulations included United Kingdom Generally Accepted Accounting Practice, Companies Act 2006 and taxation laws;
- We understood how the company is complying with those legal and regulatory frameworks by making inquiries of management, and those responsible for legal and compliance procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement including how fraud might occur. Audit procedures performed by the engagement team included:
 - identifying and assessing the design effectiveness of controls management has put in place to prevent and detect fraud;
 - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
 - challenging assumptions and judgements made by management in its significant accounting policies; and
 - identifying and testing journal entries, in particular any journal entries posted with unusual characteristics.

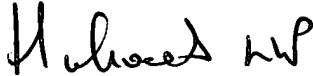
FAUN ZOELLER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAUN ZOELLER (UK) LIMITED

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 this 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.



Paul Fussell (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

Date: 3.3.2021.

FAUN ZOELLER (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 £ | 2019 £ |
|--------------------------------------|------|-----------------------|-----------------------|
| Turnover | 3 | 25,319,496 | 27,033,843 |
| Cost of sales | | <u>(20,942,322)</u> | <u>(22,308,528)</u> |
| Gross profit | | 4,377,174 | 4,725,315 |
| Administrative expenses | | (3,577,954) | (4,218,699) |
| Other operating income | 4 | <u>40,420</u> | <u>12,729</u> |
| Operating profit | 5 | <u>839,640</u> | <u>519,345</u> |
| Other income | 8 | 141,610 | 83,647 |
| Interest payable and similar charges | 9 | <u>(278,395)</u> | <u>(184,333)</u> |
| | | <u>(136,785)</u> | <u>(100,686)</u> |
| Profit before tax | | 702,855 | 418,659 |
| Taxation | 10 | <u>-</u> | <u>-</u> |
| Profit for the financial year | | <u><u>702,855</u></u> | <u><u>418,659</u></u> |

The above results were derived from continuing operations.

The company has no other comprehensive income for the year.

The notes on pages 12 to 23 form an integral part of these financial statements.

FAUN ZOELLER (UK) LIMITED

**(REGISTRATION NUMBER: 00751804)
BALANCE SHEET AS AT 31 DECEMBER 2020**

| | Note | 2020 £ | 2019 £ |
|---|------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 1,155,878 | 962,953 |
| Investments | 12 | <u>10,099</u> | <u>10,099</u> |
| | | <u>1,165,977</u> | <u>973,052</u> |
| Current assets | | | |
| Stocks | 13 | 5,081,304 | 3,644,884 |
| Debtors | 14 | 10,102,079 | 10,153,967 |
| Cash at bank and in hand | | <u>168,884</u> | <u>235,750</u> |
| | | 15,352,267 | 14,034,601 |
| Creditors: Amounts falling due within one year | 15 | <u>(14,412,119)</u> | <u>(13,398,713)</u> |
| Total assets less current liabilities | | 2,106,125 | 1,608,940 |
| Provisions for liabilities | 16 | <u>(205,843)</u> | <u>(411,513)</u> |
| Net assets | | <u>1,900,282</u> | <u>1,197,427</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 750,000 | 750,000 |
| Retained earnings | | <u>1,150,282</u> | <u>447,427</u> |
| Total equity | | <u>1,900,282</u> | <u>1,197,427</u> |

Approved and authorised by the Board on 3/3/21 and signed on its behalf by:



R Horton
Director

The notes on pages 12 to 23 form an integral part of these financial statements.

FAUN ZOELLER (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| | Share capital £ | Retained earnings £ | Total £ |
|---------------------|----------------------------|------------------------------------|--------------------|
| At 1 January 2020 | 750,000 | 447,427 | 1,197,427 |
| Profit for the year | - | 702,855 | 702,855 |
| At 31 December 2020 | <u>750,000</u> | <u>1,150,282</u> | <u>1,900,282</u> |

| | Share capital £ | Retained earnings £ | Total £ |
|---------------------|----------------------------|------------------------------------|--------------------|
| At 1 January 2019 | 750,000 | 28,768 | 778,768 |
| Profit for the year | - | 418,659 | 418,659 |
| At 31 December 2019 | <u>750,000</u> | <u>447,427</u> | <u>1,197,427</u> |

The notes on pages 12 to 23 form an integral part of these financial statements.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:
Units 4 & 5 Colemeadow Road
Moons Moat North Industrial Estate
Redditch
Worcestershire
B98 9PB

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is UK £, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest £.

Summary of disclosure exemptions

Faun Zoeller (UK) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a statement of cash flows and remuneration of key management personnel

Exemption from preparing group accounts

The financial statements contain information about Faun Zoeller (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Kirchoff GmbH & Co Kg, a company incorporated in Germany.

Going concern

The directors have prepared detailed cash flow forecasts for the company for more than 12 months from the approval of these financial statements, which consider the current COVID-19 outbreak and its potential impact on the business. Like many businesses in the current environment, the outbreak of COVID-19 has the potential to cause serious operational and financial disruption. These disruptions were mitigated by risk assessment and changes to our way of working to ensure we were fully compliant with the government guidelines on social distancing and guidance on working safely during COVID-19. These changes have enabled us to remain fully operational and able to service our customers throughout the period.

At the year end the company has net assets of £1,900,282 (2019 - £1,197,247). The intermediate parent undertaking, (Faun Umwelttechnik GmbH & Co Kg), have confirmed that they will, if required, continue to provide financial support.

Considering these factors, the forecasts indicate the company can operate within its facilities and meet its liabilities as they fall due and accordingly the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Accounting policies (continued)

Judgements

Included within receivables from group undertakings in note 16 of these financial statements is £4,479,724 owed by FAUN Trackway Limited, the company's subsidiary undertaking. At the balance sheet date FAUN Trackway Limited has net assets of £121,696, which include an amount of £3,228,139 owed by the company's subsidiary undertaking, FAUN Trackway USA Inc. The amount owed by FAUN Trackway USA Inc. mainly relates to sales and marketing costs incurred by Trackway USA Inc. to develop its business in the USA, which the company has funded. FAUN Trackway USA Inc. secured its first major contract during the year and is actively pursuing further US contracts, which if won are expected to generate sufficient profits to enable the company to settle amounts owing to FAUN Trackway Limited, which would then allow that company to settle the amount owing to FAUN Zoeller (UK) Limited. If FAUN Trackway USA Inc. is unsuccessful in obtaining new contracts which generate profits, the amounts owed to FAUN Trackway Limited would be irrecoverable, which would potentially impact on the recoverability of amounts owed by FAUN Trackway Limited of £4,479,724 to FAUN Zoeller (UK) Limited.

Significant judgements have been made by management in these financial statements in the preparation of the company's warranty and stock provisions. The company gives warranties on certain products which are manufactured and sold. The provision for warranty costs is calculated by management, and recognised for each type of product based on available past historical data and the levels of repairs and returns.

Key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Management have assessed stock lines and have estimated the value of stock that requires provision in order to reflect the true value of stock within the financial statements. The carrying amount is £946,956 (2019 - £887,602).

Management have assessed warranty costs and have estimated the value of a warranty provision in order to reflect future expected costs in the financial statements. The carrying amount is £205,843 (2019 - £411,513).

Revenue recognition

Sale of goods

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits can be reliably measured, and it is probable that future economic benefits will flow to the entity.

Rendering of services

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. When the outcome of a transaction for the rendering of services can be estimated reliably in terms of revenue, costs and its stage of completion, the company recognises revenue on the sales of services in the reporting period in which the services are rendered by reference to the stage of completion of the specific transaction at the end of the reporting period. The stage of completion is determined on the basis of the actual completion of a proportion of the total services to be rendered. When the outcome of a service contract cannot be estimated reliably the company only recognises revenue to the extent of the recoverable expenses recognised.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

| Asset class | Depreciation method and rate |
|-----------------------|------------------------------|
| Plant and machinery | 10% - 50% per annum |
| Motor vehicles | 20% - 25% per annum |
| Fixtures and fittings | 10% - 33% per annum |
| Land | Land is not depreciated |
| Buildings | Over 25 years |

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

Stocks and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to be completion and selling costs. Costs include all direct costs and an appropriate proportion of fixed and variable overheads.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provision has been made for estimated future claims by customers under warranties in respect of products sold during the year, where the claims made by customers cannot be taken up under warranties provided by the manufacturers of the products.

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Pensions

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 Accounting policies (continued)

Financial instruments

Classification

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, loans from related parties and investments in non-puttable ordinary shares.

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

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

Recognition and measurement

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit or loss account. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an assets carrying value and the present value of estimated cash flows discounted at the assets 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 assets carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount recognised 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.

Impairment

At each reporting date non-financial assets not carried at fair value, such as property, plant and equipment are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less costs to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in the profit and loss account.

3 Turnover

The analysis of the company's revenue for the year by class of business is as follows:

| | 2020 £ | 2019 £ |
|-----------------------|-------------------|-------------------|
| Sale of goods | 22,959,601 | 23,658,823 |
| Rendering of services | 2,359,895 | 3,375,020 |
| | <u>25,319,496</u> | <u>27,033,843</u> |

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover (continued)

The analysis of the company's turnover for the year by market is as follows:

| | 2020 £ | 2019 £ |
|--------|-------------------|-------------------|
| UK | 25,287,987 | 27,005,807 |
| Europe | 31,509 | 28,036 |
| | <u>25,319,496</u> | <u>27,033,843</u> |

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

| | 2020 £ | 2019 £ |
|--------------------------------------|---------------|---------------|
| Government grants | 40,420 | - |
| Miscellaneous other operating income | - | 12,729 |
| | <u>40,420</u> | <u>12,729</u> |

The company received grants in relation to the Coronavirus Job Retention Scheme (CJRS) which are accounted under the accrual model as revenue grants. £40,420 (2019 - £nil) was credited to the profit and loss account in relation to this grant.

5 Operating profit

Arrived at after charging/(crediting)

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Depreciation expense | 176,777 | 241,863 |
| Foreign exchange (gains)/losses | 13,022 | (5,634) |
| Operating lease expense - property | - | 2,000 |
| Operating lease expense - plant and machinery | 227,327 | 307,180 |
| Loss/(profit) on disposal of property, plant and equipment | 4,724 | 9,455 |
| Auditors' remuneration | 22,000 | 22,000 |
| Debt waiver received from group undertaking | (1,530,000) | (1,004,057) |
| Debt waiver provided to subsidiary undertaking | <u>1,530,000</u> | <u>1,004,057</u> |

During the year a waiver of £1,530,000 (2019 - £1,004,057) was received from a group company, Faun Umwelttechnik GmbH & Co. KG. The company also provided a debt waiver to its subsidiary company FAUN Trackway Limited for £1,530,000 (2019 - £1,004,057). The net effect on the income statement was £nil.

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Wages and salaries | 2,186,441 | 2,555,151 |
| Social security costs | 252,112 | 350,730 |
| Pension costs, defined contribution scheme | 82,135 | 90,310 |
| | <u>2,520,688</u> | <u>2,996,191</u> |

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

| | 2020 | 2019 |
|--------------------------------------|-------------|-------------|
| | No. | No. |
| Production | - | 4 |
| Sales, supply chain & administration | 20 | 21 |
| Service | 24 | 36 |
| | <u>44</u> | <u>61</u> |

7 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2020 | 2019 |
|--|----------------|----------------|
| | £ | £ |
| Remuneration (including benefits in kind) | 453,396 | 403,922 |
| Contributions paid to money purchase schemes | 21,169 | 20,552 |
| | <u>474,565</u> | <u>424,474</u> |

During the year the number of directors who were receiving benefits and share incentives was as follows:

| | 2020 | 2019 |
|---|-------------|-------------|
| | No. | No. |
| Accruing benefits under money purchase pension scheme | <u>3</u> | <u>3</u> |

In respect of the highest paid director:

| | 2020 | 2019 |
|---|--------------|--------------|
| | £ | £ |
| Remuneration | 168,642 | 153,739 |
| Company contributions to money purchase pension schemes | <u>8,252</u> | <u>8,012</u> |

8 Other interest receivable and similar income

| | 2020 | 2019 |
|---|----------------|---------------|
| | £ | £ |
| Interest income from group undertakings | <u>141,610</u> | <u>83,647</u> |

9 Interest payable and similar expenses

| | 2020 | 2019 |
|---|----------------|----------------|
| | £ | £ |
| Interest on bank borrowings | - | 22,365 |
| Interest on loans from group undertakings | 278,395 | 161,968 |
| | <u>278,395</u> | <u>184,333</u> |

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10 Income tax

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| Profit before tax | 702,855 | 418,659 |
| Corporation tax at standard rate | 133,542 | 79,545 |
| Effect of revenues exempt from taxation | - | (2,419) |
| Effect of expense not deductible in determining taxable profit (tax loss) | 3,219 | 6,752 |
| Adjustment to deferred tax to average rate | - | (9,706) |
| Deferred tax not recognised | 80,773 | (82,505) |
| Fixed asset differences | 1,841 | 7,590 |
| Tax increase (decrease) arising from group relief | (26,837) | (1,676) |
| Capital allowances in excess of depreciation | - | 2,419 |
| Remeasurement of deferred tax for changes in tax rates | (192,538) | - |
| Total tax charge/(credit) | - | - |

Deferred tax

There are £9,251,340 of unused tax losses (2019 - £9,747,156) for which no deferred tax asset is recognised in the Balance Sheet.

11 Tangible assets

| | Land and buildings £ | Fixtures and fittings £ | Motor vehicles £ | Plant and machinery £ | Total £ |
|--------------------------|----------------------------|-------------------------------|------------------------|-----------------------------|-------------|
| Cost or valuation | | | | | |
| At 1 January 2020 | 505,000 | 1,097,722 | 587,602 | 296,211 | 2,486,535 |
| Additions | - | 469,308 | 7,182 | 2,203 | 478,693 |
| Disposals | - | (654,008) | (260,643) | (263,710) | (1,178,361) |
| At 31 December 2020 | 505,000 | 913,022 | 334,141 | 34,704 | 1,786,867 |
| Depreciation | | | | | |
| At 1 January 2020 | 121,260 | 853,506 | 297,747 | 251,069 | 1,523,582 |
| Eliminated on disposal | - | (630,430) | (198,949) | (239,991) | (1,069,370) |
| Charge for the year | 20,197 | 79,668 | 67,092 | 9,820 | 176,777 |
| At 31 December 2020 | 141,457 | 302,744 | 165,890 | 20,898 | 630,989 |
| Carrying amount | | | | | |
| At 31 December 2020 | 363,543 | 610,278 | 168,251 | 13,806 | 1,155,878 |
| At 31 December 2019 | 383,740 | 244,216 | 289,855 | 45,142 | 962,953 |

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

12 Investments

| | 2020 £ | 2019 £ |
|--|---------------|---------------|
| Investments in subsidiaries | <u>10,099</u> | <u>10,099</u> |
| Subsidiaries | | £ |
| Cost and carrying amount | | |
| At 31 December 2019 and 31 December 2020 | | <u>10,099</u> |

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking | Registered office | Holding | Proportion of voting rights and shares held | |
|--------------------------------|---|----------|---|------|
| | | | 2020 | 2019 |
| Subsidiary undertakings | | | | |
| Zoeller Waste Systems Limited | Units 4 & 5 Colemeadow Road, Moons Moat North Industrial Estate, Redditch, Worcestershire, B98 9PB United Kingdom | Ordinary | 100% | 100% |
| Faun Trackway Limited | Unit 6 Bryn Cefni Industrial Estate, Llangefni, Isle of Anglesey, LL77 7XA United Kingdom | Ordinary | 99% | 99% |
| FAUN Trackway USA, Inc. | 805 15th St New Ste 1101 Washington, DC 2005 USA | Ordinary | 100% | 100% |

The principal activity of Zoeller Waste Systems Limited is that of a dormant company.

The principal activity of Faun Trackway Limited is assembly, installation, sale and service of mobile transportation units.

The principal activity of FAUN Trackway USA, Inc. is assembly, installation, sale and service of mobile transportation units. FAUN Trackway USA, Inc. is a 100% owned subsidiary of Faun Trackway Limited.

13 Stocks

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Raw materials | 2,829,311 | 2,353,210 |
| Work in progress | 66,157 | 81,166 |
| Finished goods and held for resale | <u>2,185,836</u> | <u>1,210,508</u> |
| | <u>5,081,304</u> | <u>3,644,884</u> |

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 Debtors

| | 2020 £ | 2019 £ |
|-------------------------------------|-------------------|-------------------|
| Trade debtors | 5,508,088 | 5,274,318 |
| Receivables from group undertakings | 4,479,724 | 4,669,413 |
| Other receivables | 3,706 | 23,293 |
| Prepayments and accrued income | 110,561 | 186,943 |
| | <u>10,102,079</u> | <u>10,153,967</u> |

15 Creditors

| | 2020 £ | 2019 £ |
|-----------------------------------|-------------------|-------------------|
| Due within one year | | |
| Trade creditors | 2,171,070 | 692,240 |
| Amounts due to group undertakings | 10,119,737 | 11,330,916 |
| Social security and other taxes | 1,581,161 | 1,012,997 |
| Other payables | 14,402 | 14,883 |
| Accrued expenses | 525,749 | 347,677 |
| | <u>14,412,119</u> | <u>13,398,713</u> |

16 Provisions

| | Warranty provision £ |
|---------------------------------|----------------------------|
| At 1 January 2020 | 411,513 |
| Decrease in existing provisions | (84,729) |
| Provisions used | <u>(120,941)</u> |
| At 31 December 2020 | <u>205,843</u> |

The company gives warranties on certain products manufactured and sold. A provision for warranty is calculated and recognised for each type of such product based on available past historical data on the levels of repairs and returns.

17 Share capital

Allotted, called up and fully paid shares

| | 2020 | | 2019 | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | No. | £ | No. | £ |
| 750,000 Ordinary shares of £1 each | <u>750,000</u> | <u>750,000</u> | <u>750,000</u> | <u>750,000</u> |

18 Reserves

Called up share capital

This represents the nominal value of the issued share capital of the company.

Retained earnings

This represents the cumulative profits or losses, net of dividends paid and other adjustments.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £82,135 (2019 - £90,310).

Contributions totalling £14,402 (2019 - £14,883) were payable to the schemes at the end of the year and are included in creditors.

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Not later than one year | 197,160 | 184,920 |
| Later than one year and not later than five years | <u>259,277</u> | <u>59,614</u> |
| | <u>456,437</u> | <u>244,534</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £227,327 (2019 - £309,180).

21 Related party transactions

During the year FAUN Zoeller (UK) Limited made sales of £nil (2019 - £nil) and purchases of £nil (2019 - £648) to Stummer Kommunalfahrzeuge GmbH, a group undertaking. At 31 December 2020, the company owed £nil (2019 - £nil) to Stummer Kommunalfahrzeuge GmbH.

During the year FAUN Zoeller (UK) Limited made sales of £nil (2019 - £nil) and purchases of £nil (2019 - £362) to Contena Ochsner, a group undertaking. At 31 December 2020, the company owed £nil (2019 - £nil) to Contena Ochsner.

During the year FAUN Zoeller (UK) Limited made sales of £nil (2019 - £nil) and purchases of £160,961 (2019 - £387,028) to Semat S.A France, a group undertaking. At 31 December 2020, the company owed £nil (2019 - £69,398) to Semat S.A France.

During the year FAUN Zoeller (UK) Limited made sales of £28,123 (2019 - £1,488) and purchases of £14,271 (2019 - £21,084) to Farid Hillend Engineering Limited, a group undertaking. At 31 December 2020, the company owed £778 (2019 - £(224)) to Farid Hillend Engineering Limited.

During the year FAUN Zoeller (UK) Limited recharged expenses of £3,447 (2019 - £4,645) and were recharged expenses of £nil (2019 - £4,413) to and from FAUN Trackway, a group undertaking. At 31 December 2019, the company was owed £4,479,724 (2019 - £4,600,807) by FAUN Trackway. Interest at a rate of 2.5% is charged on this balance. Interest of £141,610 (2019 - £83,241) charged during the year ended 31 December 2020. At 31 December 2020, the company owed £nil (2019 - £1,016) to Faun Trackway Limited.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22 Parent and ultimate parent undertaking

The company's immediate parent is FAUN Expotec GmbH, incorporated in Germany.

The ultimate parent is Kirchoff Ecotec GmbH, incorporated in Germany.

These financial statements are available upon request from Iserlohn, Stefanstraße 2, 58638 Iserlohn, Germany