

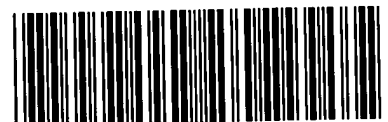
Company Number: 2649656

Alamo Group Europe Limited

Report and Financial Statements For the year ended

31 December 2017

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Alamo Group Europe Limited

Registered No: 2649656

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Alamo Group Europe Limited

Registered No: 2649656

Directors

G Davies

E T Madden

R Robinson (USA)

Secretary

E T Madden

Auditor

KPMG LLP

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Registered office

Station Road

Salford Priors

Evesham

Worcestershire

WR11 8SW

Alamo Group Europe Limited

Strategic Report

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

Results and dividends

The profit for the year, after taxation, amounted to £128,000 (2016: profit £208,000). The directors do not recommend the payment of any dividends (2016: £Nil).

Principal activities and review of the business

The principal activity of the Company is that of an investment holding company.

The company's key performance indicators during the year were as follows

	2017 £000	2016 £000	Change %
Profit after tax	128	208	-38%
Shareholders' funds	2,045	1,917	7%
Current assets as % of current liabilities	55.5%	53.9%	3%
Average number of employees	24	25	-4%

The Company made a profit after tax of £128,000 (2016: profit of £208,000). This profit is predominantly due to cost savings in managing the company's investments.

Shareholder's funds increased, reflecting the impact of the Profit after tax for the year.

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as "Brexit". As a result of the referendum, the British government are currently renegotiating the terms of the U.K.'s future relationship with the E.U.

Management will continue to monitor the situation and are working towards exploiting any opportunities that may arise.

Going concern

The Directors have prepared these accounts under the going concern concept, notwithstanding the net current liabilities position of £23,870,000 at 31 December 2017. In doing so, the Directors have had regard to the budget prepared for the European subsidiaries which the company holds investments in, as well as that of the wider Alamo Inc. Group, of which the Company and the European Group form a part. The European Group's budget has been prepared for the year ending 31 December 2018 together with a high level forecast for the year ending 31 December 2019, both of which indicate that the European Group and therefore the Company has sufficient working capital to continue to trade and meet its liabilities as they fall due for a period of at least 12 months from the date of signing these accounts. The Directors prepare regular re-forecasts against budget which likewise indicate forecast positive cash balances throughout the period of at least 12 months from the date of signing these accounts, sufficient to meet liabilities as they fall due. Beyond this, the wider Alamo Inc. Group could be called on to provide support as may be necessary, although no such support has been formally requested as it is not currently expected to be needed.

Alamo Group Europe Limited

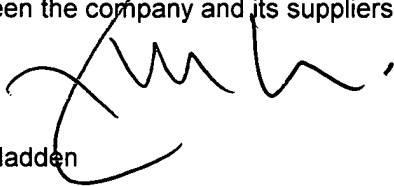
Strategic Report - continued

Principal risks and uncertainties

As an investment holding company, the principal risks are those faced by its investments. A detailed list of these companies is included in the notes to the financial statements.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.



E T Madden
Secretary

28th August 2018

Directors' report

Directors

The directors at 31 December 2017 and those who served during the year were as follows:

G Davies
E T Madden
R Robinson

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions to provide training and career development and promotion to disabled employees wherever appropriate.

Donations

No political or charitable donations were made during the year (2016: £Nil).

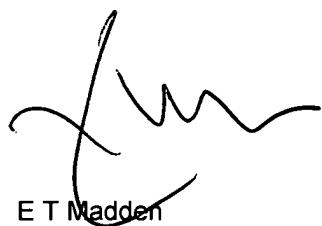
Disclosure of information to the auditors

So far as each person who is a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



E T Madden
Secretary

28th August 2018

Statement of directors' responsibilities in respect of the Strategic Report, Directors' report and the financial statements.

The directors are responsible for preparing the Strategic report, Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of Alamo Group Europe Limited

We have audited the financial statements of Alamo Group Europe Limited ("the company") for the year ended 31st December 2017 which comprise the Profit and loss account and other comprehensive income, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent auditor's report (continued)

to the members of Alamo Group Europe Limited

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our work and to whom we owe our responsibilities

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.



Stuart Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

30th August 2018

Profit and loss account and other comprehensive income

for the year ended 31 December 2017

	Notés	2017 £000	2016 £000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Other Income		2,931	2,833
Administrative expenses		(2,768)	(2,536)
Operating profit	2	163	297
Interest receivable and similar income	5	60	43
Interest payable	6	(56)	(101)
Profit on ordinary activities before taxation		167	239
Tax on profit on ordinary activities	7	(39)	(31)
Profit on ordinary activities, being comprehensive income for the year		128	208

All operations are continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

Alamo Group Europe Limited

Balance sheet

at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Investments	8	25,700	25,700
Tangible assets	9	215	252
		<u>25,915</u>	<u>25,952</u>
Current assets			
Debtors	10	29,743	28,093
		<u>29,743</u>	<u>28,093</u>
Creditors: amounts falling due within one year	11	(53,613)	(52,128)
Net current liabilities		<u>(23,870)</u>	<u>(24,035)</u>
Total assets less current liabilities, being net assets		<u>2,045</u>	<u>1,917</u>
Capital and reserves			
Called up share capital	14	2,759	2,759
Profit and loss account		(714)	(842)
Shareholders' funds		<u>2,045</u>	<u>1,917</u>

These financial statements were approved by the board of directors on 28th August 2018 and were signed on its behalf by:



 G. Davies OBE
 Managing Director
 28th August 2018

Company Number: 2649656

The notes on pages 12 to 26 form part of these financial statements.

Statement of Changes in Equity

	<i>Called up Share Capital £000</i>	<i>Profit and loss account £000</i>	<i>Total equity £000</i>
Balance at 1st January 2016	2,759	(1,050)	1,709
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year			
Profit for the year	-	208	208
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	208	208
	<hr/>	<hr/>	<hr/>
Balance at 31st December 2016	2,759	(842)	1,917
	<hr/>	<hr/>	<hr/>
	<i>Called up Share Capital £000</i>	<i>Profit and loss account £000</i>	<i>Total equity £000</i>
Balance at 1 January 2017	2,759	(842)	1,917
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year			
Profit for the year	-	128	128
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	128	128
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	2,759	(714)	2,045
	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 26 form part of these financial statements.

Notes to the financial statements

at 31 December 2017

1 Accounting policies

Alamo Group Europe Limited is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 2649656 and the registered address is Station Road, Salford Priors, Worcestershire WR11 8SW.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Alamo Group Inc, includes the Company in its consolidated financial statements. The consolidated financial statements of Alamo Group Inc are prepared in accordance with accounting principles generally accepted in the United States of America and are available to the public and may be obtained from Alamo Group Inc, P O Drawer 549, 1502 East Walnut, Seguin, TX, 78156-0549. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Alamo Group Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

Accounting estimates and judgements

The principal accounting estimates, assumptions and judgements employed in the preparation of these financial statements which could affect the carrying amounts of assets and liabilities at the balance sheet dates are as follows:

Judgements

- Carrying value and useful economic life of investments and tangible assets

Current asset provisions

Estimates are made by management to establish the net realisable value of various elements of working capital, principally inventory and trade receivables. Provisions are established for net realisable value and bad and doubtful debt risks. Provisions are based on the facts available at the time and applied to inventory and aged receivables.

Alamo Group Europe Limited

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

The Directors have prepared these accounts under the going concern concept, notwithstanding the net current liabilities position of £23,870,000 at 31 December 2017. In doing so, the Directors have had regard to the budget prepared for the European subsidiaries which the company holds investments in, as well as that of the wider Alamo Inc. Group, of which the Company and the European Group form a part. The European Group's budget has been prepared for the year ending 31 December 2018 together with a high level forecast for the year ending 31 December 2019, both of which indicate that the European Group and therefore the Company has sufficient working capital to continue to trade and meet its liabilities as they fall due for a period of at least 12 months from the date of signing these accounts. The Directors prepare regular re-forecasts against budget which likewise indicate forecast positive cash balances throughout the period of at least 12 months from the date of signing these accounts, sufficient to meet liabilities as they fall due. Beyond this, the wider Alamo Inc. Group could be called on to provide support as may be necessary, although no such support has been formally requested as it is not currently expected to be needed.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Gains or losses on translation are included in the profit and loss account.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.4 Basic financial instruments - continued

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

Notes to the financial statements

at 31 December 2017

1.5 Other financial instruments (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- plant and machinery – 3-10 years
- motor vehicles – 3-10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.8 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. Operating profit

This is stated after charging/(crediting):	2017 £000	2016 £000
Other income		
- Group management fees	2,931	2,833
Auditor's remuneration		
- amounts receivable by the auditor and their associates in respect of: Audit of financial statements pursuant to legislation.	32	23
- tax compliance services	13	8
	45	31
Depreciation of owned fixed assets	78	82

Notes to the financial statements

at 31 December 2017

3. Staff costs

	2017 £000	2016 £000
Wages and salaries	1,597	1,368
Social security costs	228	161
Other pension costs (note 12)	136	146
	<u>1,961</u>	<u>1,675</u>

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

	2017	2016
Administrative	<u>24</u>	<u>25</u>

4. Directors' remuneration

The directors of the company are also directors of the parent and fellow subsidiary undertakings. Two directors were remunerated by Alamo Group Europe Limited (2016: two). The directors do not believe that it is practical to apportion this amount between their services as directors of the company and their services as directors of fellow subsidiary undertakings. The aggregate amount paid by Alamo Group Europe Limited in respect of directors' remuneration for the year ending 31 December 2017 was £777,000 (2016: £593,000). Emoluments, excluding pension contributions and employers NIC, in respect of the highest paid director were £570,000 (2016: £397,000).

5. Interest receivable and similar income

	2017 £000	2016 £000
Intercompany interest receivable	60	43
	<u>60</u>	<u>43</u>

6. Interest payable

	2017 £000	2016 £000
Bank interest payable	53	-
Intercompany interest payable	3	101
	<u>56</u>	<u>101</u>

Notes to the financial statements

at 31 December 2017

7. Tax

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	£000	2016 £000	£000
<i>Current tax:</i>				
UK corporation tax	35		44	
Adjustments in respect of previous periods	-		(17)	
Total current tax		35		27
<i>Deferred tax:</i>				
Origination and reversal of timing differences	4		4	
Total deferred tax		4		4
Total Tax		39		31

Analysis of current tax recognised in profit and loss

	2017 £000	2016 £000
UK Corporation tax	35	27
Total current tax recognised in profit and loss	35	27

Notes to the financial statements

at 31 December 2017

7. Taxation (continued)

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	128	208
Total tax expense	39	31
	<u>167</u>	<u>239</u>
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	32	48
Expenses not deductible / (income not chargeable) for tax purposes	(3)	(1)
Capital allowances in excess of depreciation	4	3
Other timing differences	6	(2)
Adjustments in respect of previous periods	-	(17)
Total tax on profit and loss	<u>39</u>	<u>31</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

8. Investments

	£000
Cost:	
At 1 January 2017	25,772
At 31 December 2017	<u>25,772</u>
Amounts written off:	
At 1 January 2017 & 31 December 2017	72
Net book value:	
At 31 December 2017	25,700
At 1 January 2017	<u>25,700</u>

Alamo Group Europe Limited

Notes to the financial statements

at 31 December 2017

8. Investments (continued)

Name of Company	Registered Office	Country of Incorporation	Holding	Proportion Held
Bomford & Evershed Ltd	# * Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
Bomford Turner Ltd	* Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
Alamo Manufacturing Services (UK) Ltd	Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
McConnel Ltd	Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
Turner International Eng Ltd	# * Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
Twose of Tiverton Limited	# * Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
Spearhead Machinery Limited	Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
Kelland Agricultural Limited	Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
Multidrive Tractors Limited	# * Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%
Alamo Group France SAS	40, Avenue Auguste Wissel, 69250 Neuville sur Saone.	France	Ordinary Shares	99.98%
SMA Faucheux SAS	* 40, Avenue Auguste Wissel, 69250 Neuville sur Saone.	France	Ordinary Shares	99.98%
Forges Gorce SAS	* RN89 Chemin Des Ravaux, 63920 Peschadoires.	France	Ordinary Shares	99.98%
Rousseau SAS	* 40, Avenue Auguste Wissel, 69250 Neuville sur Saone.	France	Ordinary Shares	99.98%
Rivard SAS	* Zi du Grand Clos, 49640 Daumeray.	France	Ordinary Shares	99.98%
Alamo Logistics Services & Advice SAS	* 40, Avenue Auguste Wissel, 69250 Neuville sur Saone.	France	Ordinary Shares	99.98%

* indicates shares held by a subsidiary undertaking

indicates that company is dormant. The other companies' activities are in line with the group, the manufacture and distribution of agricultural machinery.

Notes to the financial statements

at 31 December 2017

9. Tangible fixed assets

	<i>Plant & Machinery</i> £000	<i>Motor Vehicles</i> £000	<i>Total</i> £000
Cost:			
At 1 January 2017	573	87	660
Additions	19	-	19
Transfers from other group companies	-	2	2
At 31 December 2017	<u>592</u>	<u>89</u>	<u>681</u>
Depreciation:			
At 1 January 2017	330	78	408
Provided during the year	64	14	78
Transfers from other group companies	-	(20)	(20)
At 31 December 2017	<u>394</u>	<u>72</u>	<u>466</u>
Net book value:			
At 31 December 2017	<u>198</u>	<u>17</u>	<u>215</u>
At 1 January 2017	<u>243</u>	<u>9</u>	<u>252</u>

10. Debtors

	<i>2017</i> £000	<i>2016</i> £000
Amounts owed by fellow group undertakings	1,634	513
Amounts owed by parent undertakings	27,988	27,466
Other Debtors	1	1
Prepayments and accrued income	73	63
Deferred taxation	45	49
Other financial assets (note 17)	2	1
	<u>29,743</u>	<u>28,093</u>

Notes to the financial statements

at 31 December 2017

11. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank overdraft	21,415	23,054
Trade creditors	87	117
Amounts owed to subsidiary undertakings	31,491	28,486
Corporation tax	15	36
Accruals and deferred income	605	435
Other financial liabilities (note 17)	-	-
	<u>53,613</u>	<u>52,128</u>

Amounts owed to group undertakings carry no interest and are payable on demand.

12. Pensions

The company operates a defined contribution pension scheme for its directors and employees. These assets of the scheme are held separately from those of the company in an independently administered fund.

Included within accruals is £4,000 (2016: £8,000) relating to outstanding contributions payable to this pension scheme.

13. Contingent liability

The company has entered into an omnibus letter of set-off with the bank, Lloyds Bank Plc between Alamo Group Europe Limited, McConnel Limited, Alamo Manufacturing Services (UK) Limited, Bomford Turner Limited, Twose of Tiverton Limited, Spearhead Machinery Limited, Multidrive Tractors Limited and Kellands Agricultural Limited. The set-off balance of the companies at the balance sheet date was net £729,000 (2016: £481,000).

14. Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
2,758,745 Ordinary shares of £1 each	<u>2,759</u>	<u>2,759</u>

Notes to the financial statements

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15. Related party transactions

The company has taken advantage of the exemptions from disclosing related party transactions with other wholly owned group companies.

Details of transactions between the company (and it's wholly owned subsidiaries) and other related parties are summarised below. The parties included are all subsidiaries that are deemed to be related as a consequence of the minority interest held in these group companies by Alamo Group Inc (note 22), thereby precluding the above exemption for wholly owned subsidiaries of the Group. The transactions related to normal trading activity.

	2017	2016
	£000	£000
SMA Faucheux SAS		
Purchases	0	2
Sales	0	5
Balance at the period end - Outstanding Creditor	(1)	(1)
Forges Gorce SAS		
Purchases	101	51
Sales	35	34
Balance at the period end - Outstanding Creditor	(23)	(7)
Rousseau SAS		
Purchases	31	2
Sales	920	897
Balance at the period end - Outstanding Debtor	438	257

Notes to the financial statements

at 31 December 2017

16. Ultimate parent company

In the opinion of the directors, the ultimate parent undertaking of the smallest and largest group of which the company is a member is Alamo Group Inc, Seguin, Texas, USA. Copies of that company's accounts may be obtained from Alamo Group Inc, P O Drawer 549, 1502 East Walnut, Seguin, TX, 78156-0549, USA.

17. Financial Instruments

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds)

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair Value	Fair Value
	2017	2016
	£000	£000
Forward Currency Contracts asset / (liability)	<u>2</u>	<u>1</u>