

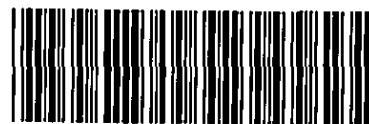
Shelbourne Reynolds Engineering Limited

ABBREVIATED ACCOUNTS

Year Ended

30 September 2008

FRIDAY



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A43

20/03/2009

165

COMPANIES HOUSE

Company Number 1055939

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Directors

Russian Shelbourne Limited
N Gorbunov
AV Kuznetsov
N Smith

Secretary and registered office

GHS Brunton, 2-3 Cursitor Street, London, EC4 1NE

Company number

1055939

Auditors

Baker Tilly UK Audit LLP
Abbotsgate House,
Hollow Road,
Bury St Edmunds,
Suffolk,
IP32 7FA

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Report of the directors for the year ended 30 September 2008

The directors present their report together with the audited financial statements for the year ended 30 September 2008.

Business review and principal activities

The company's principal activity during the year continued to be the manufacture and sale of agricultural machinery.

Shelbourne Reynolds Engineering Limited ("the company") operates from premises in Stanton, Suffolk.

The results for the year show a pre-tax profit of £348,086 (2007 – loss of £245,647) for the year.

The directors do not recommend the payment of a final dividend.

Future outlook

The directors are pleased to report that the company is undergoing a period of controlled growth. All core products and market sectors are positive with a favourable outlook. A strong emphasis on product improvement and cost reduction has put the company in a strong position to capitalise on the current market conditions as well as react positively to future trends.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks affecting the company are considered to be new technological developments, decline in the agricultural market and fluctuations in foreign exchange rates.

During the year, the company entered into an interest rate swap in order to minimise the risk of the movement in the bank base rate. The fixed rate swap agreement was entered into on 25 July 2008 for a period of 10 years on a notional amount of £800,000. The fixed rate swap is at 5.34% and expires on 25 July 2018.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Charitable and political contributions

During the year the company made charitable contributions of £1,021 (2007 - £1,610).

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Report of the directors for the year ended 30 September 2008 *(Continued)*

Directors

The directors of the company during the year were as follows:

Russian Shelbourne Limited

N Smith

N Gorbunov

AV Kuznetsov

A Kuznetsov – resigned 31 August 2008

Research and development

The group has a policy of continued development of its current products and also for the design and development of new products. These costs are charged to the profit and loss account and are disclosed in note 5.

Land and buildings

The directors are of the opinion that the market value of the property is in excess of the net book value of £798,120 (2007 - £819,272). However, in the absence of a recent valuation this excess cannot be readily quantified.

Directors' responsibilities

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Report of the directors for the year ended 30 September 2008 *(Continued)*

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the Board

A handwritten signature in black ink, appearing to be 'N Smith', with a long horizontal line extending to the right.

N Smith
Director

Date.....16th March 2009

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Independent auditors' report to the shareholder of Shelbourne Reynolds Engineering Limited under section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 6 to 21, together with the financial statements of Shelbourne Reynolds Engineering Limited for the year ended 30 September 2008 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.



BAKER TILLY UK AUDIT LLP

Registered Auditors and

Chartered Accountants

Abbotsgate House

Hollow Road

Bury St Edmunds

Suffolk

IP32 7FA

18.03.09

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Abbreviated Profit and loss account for the year ended 30 September 2008

	Note	2008 £	2007 £
Gross profit		2,191,165	1,781,328
Administrative expenses		(1,737,693)	(1,916,846)
Operating profit/(loss)	4	453,472	(135,518)
Interest payable and similar charges	5	(105,386)	(110,129)
Profit/(loss) on ordinary activities before taxation		348,086	(245,647)
Taxation on profit/(loss) on ordinary activities	6	(45,984)	23,520
Profit/(loss) on ordinary activities after taxation	16	302,102	(222,127)

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Note of historical cost profit and losses for the year ended 30 September 2008

	2008	2007
	£	£
Note of historical cost profit and losses		
Reported profit/(loss) on ordinary activities before taxation	348,086	(245,647)
Difference between an historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	1,972	1,972
Historical cost profit/(loss) on ordinary activities before taxation	350,058	(243,675)
Historical cost profit/(loss) for the year after taxation	304,074	(220,155)

The notes on pages 10 to 21 form part of these financial statements.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Abbreviated Balance sheet at 30 September 2008

	Note	2008	2007
		£	£
Fixed assets			
Intangible assets	7	-	-
Tangible assets	8	973,872	969,867
Investments	9	33,025	33,025
		<u>1,006,897</u>	<u>1,002,892</u>
Current assets			
Stocks	10	2,432,885	2,220,362
Debtors:	11		
Gross debtors subject to financing		-	373,792
Less: Non-returnable proceeds		-	(4,423)
		-	369,369
Other debtors (including £nil (2007: £65,343) due after one year)		1,409,335	917,182
		<u>1,409,335</u>	<u>1,286,551</u>
Cash at bank and in hand		559,145	159,041
		<u>4,401,365</u>	<u>3,665,954</u>
Creditors: amounts falling due within one year	12	<u>(1,914,392)</u>	<u>(1,808,069)</u>
Net current assets		<u>2,486,973</u>	<u>1,857,885</u>
Total assets less current liabilities		<u>3,493,870</u>	<u>2,860,777</u>
Creditors: amounts falling due after more than one year	13	<u>(1,028,488)</u>	<u>(697,497)</u>
Net assets		<u>2,465,382</u>	<u>2,163,280</u>
Capital and reserves			
Called up share capital	15	298,278	298,278
Share premium account	16	470,235	470,235
Revaluation reserve	16	77,924	79,896
Profit and loss account	16	1,618,945	1,314,871
Shareholder's funds	17	<u>2,465,382</u>	<u>2,163,280</u>

These abbreviated financial statements have been prepared in accordance with the special provisions for medium-sized companies under VII of the Companies Act 1985.

The abbreviated accounts on pages 5 to 21 were approved by the board of directors and authorised for issue on 16th March 2009 and are signed on their behalf by:


N Smith
Director

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Cash flow statement for the year ended 30 September 2008

	Note	2008 £	2007 £
Net cash inflow from operating activities	22	757,588	119,413
Returns on investments and servicing of finance			
Interest paid		(112,842)	(91,825)
Interest on hire purchase agreements		(4,859)	(2,725)
		<u>(117,701)</u>	<u>(94,550)</u>
Taxation		(2,592)	
Capital expenditure			
Payments to acquire tangible fixed assets		(47,547)	(23,443)
Receipts from sales of tangible fixed assets		200	9,601
Payments to acquire subsidiary undertaking		-	(16,767)
		<u>(47,347)</u>	<u>(30,609)</u>
Cash inflow/(outflow) before financing		589,948	(5,746)
Financing			
Loans advanced	24	450,000	250,000
Loans repaid	24	(208,534)	(24,250)
Capital element of hire purchase contracts and finance lease rentals	23	(37,217)	(19,740)
		<u>204,249</u>	<u>206,010</u>
Increase in cash	23	<u>794,197</u>	<u>200,264</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable UK accounting standards. The following principal accounting policies have been applied:

Group accounts

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985, on the basis that it is a medium sized group. Therefore, these financial statements reflect the results of the company only.

Turnover

Turnover represents amounts receivable during the year for services provided in the ordinary nature of the business, exclusive of value added tax.

Manufacturing and distribution rights

Manufacturing and distribution rights acquired are capitalised and amortised over the directors' estimate of their useful economic lives, being 5 years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation. Where existing unimpaired tangible fixed assets were previously stated at valuation the company took advantage of the transitional provisions in FRS 15 to retain these book values. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss account.

Depreciation

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

Freehold buildings	-	over 40 years
Plant and machinery	-	over 5 to 8 years
Computers and tooling	-	over 3 years
Motor vehicles and office equipment	-	over 3 to 5 years

Investments

Investments are carried at cost less any permanent diminution in value.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of production related fixed and variable overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

During the year, the company changed its method of calculating cost from standard to average costing. The effect on the prior year is immaterial.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 *(Continued)*

1 Accounting policies *(Continued)*

Factored debts

Where factored debts can be separately identified and the factoring house has no recourse to the other assets of the company, a linked presentation is adopted.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxation profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements.

Leasing and hire purchase agreements

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases or hire purchase contracts), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum payments payable during the term. The corresponding commitments are shown as amounts payable. Depreciation on the relevant assets is charged to the profit and loss account.

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 agreement and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable.

Annual rentals under operating leases are charged to the profit and loss account as incurred.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Warranty provisions

Provision is made for liabilities arising in respect of specific warranty claims.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 (Continued)

1 Accounting policies (Continued)

Financial instruments

Interest rate swaps are used to hedge the Company's exposure to movements on interest rates. The interest payable or receivable on such swaps is accrued in the same way as interest arising on borrowings.

2 Employees

	2008 £	2007 £
Staff costs (including directors) consist of:		
Wages and salaries	2,169,675	2,116,399
Social security costs	193,148	196,249
	<u>2,362,823</u>	<u>2,312,648</u>

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

	2008 Number	2007 Number
Office and management	33	34
Manufacturing	63	64
	<u>96</u>	<u>98</u>

3 Directors

	2008 £	2007 £
Directors' emoluments consist of:		
Remuneration for management services	<u>196,262</u>	<u>231,176</u>

Emoluments of the highest paid director were £54,467 (2007 - £52,625).

4 Operating profit/(loss)

	2008 £	2007 £
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	80,614	89,196
Amortisation of intangible fixed assets	-	1,100
Foreign exchange (profit)/loss	(17,267)	137,841
Loss/(profit) on sale of fixed assets	3,584	(5,703)
Operating lease rentals - office equipment	7,729	6,711
- motor vehicles	12,767	10,478
Research and development costs	21,325	32,580
Auditors remuneration - audit	<u>17,750</u>	<u>17,250</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 (Continued)

5 Interest payable and similar charges

	2008 £	2007 £
Bank loans and overdraft	106,221	91,028
Interest on parent loan	(9,663)	12,315
Finance leases and hire purchase contracts	4,859	2,725
Debt factoring interest	-	19,078
Other interest	3,969	4,061
	<u>105,386</u>	<u>129,207</u>
Less: Debt factoring interest included in cost of sales	-	(19,078)
	<u>105,386</u>	<u>110,129</u>

6 Taxation

	2008 £	2007 £
UK corporation tax :		
- current year	-	2,873
- adjustments in respect of prior periods	(281)	-
Total current tax	<u>(281)</u>	<u>2,873</u>
Deferred tax:		
Origination and reversal of timing differences	46,265	(26,393)
Taxation on profit/(loss) on ordinary activities	<u>45,984</u>	<u>(23,520)</u>

The tax assessed for the period is different from that calculated at the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 £
Profit/(loss) on ordinary activities before tax	<u>348,086</u>	<u>(245,647)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 29.0% (2007 – 19.5%)	100,945	(47,901)
Effects of:		
Expenses not allowed for tax purposes	5,782	816
Capital allowances in excess of depreciation	(11,844)	(5,005)
Tax losses utilised	(95,683)	(8,034)
Other short term timing differences	800	-
Transfer pricing adjustment		62,997
Adjustment in respect of previous periods	(281)	-
Current tax (credit)/charge for the year	<u>(281)</u>	<u>2,873</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 (Continued)

7 Intangible fixed assets

	Manufacturing & distribution rights £
<i>Cost</i>	
At 1 October 2007	
and at 30 September 2008	<u>94,934</u>
<i>Amortisation</i>	
At 1 October 2007 and 30 September 2008	<u>94,934</u>
<i>Net book value</i>	
At 30 September 2008	<u>-</u>
At 30 September 2007	<u>-</u>

8 Tangible assets

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Office equipment £	Total £
<i>Cost or valuation</i>					
At 1 October 2007	1,149,383	128,560	2,135,021	425,263	3,838,227
Additions	-	21,356	54,653	12,394	88,403
Disposals	-	(12,308)	(138,775)	(60,217)	(211,300)
At 30 September 2008	<u>1,149,383</u>	<u>137,608</u>	<u>2,050,899</u>	<u>377,440</u>	<u>3,715,330</u>
<i>Depreciation</i>					
At 1 October 2007	330,111	75,258	2,053,950	409,041	2,868,360
Charge for the year	21,152	19,429	29,239	10,794	80,614
Disposals	-	(12,308)	(134,991)	(60,217)	(207,516)
At 30 September 2008	<u>351,263</u>	<u>82,379</u>	<u>1,948,198</u>	<u>359,618</u>	<u>2,741,458</u>
<i>Net book value</i>					
At 30 September 2008	<u>798,120</u>	<u>55,229</u>	<u>102,701</u>	<u>17,822</u>	<u>973,872</u>
At 30 September 2007	<u>819,272</u>	<u>53,302</u>	<u>81,071</u>	<u>16,222</u>	<u>969,867</u>

Freehold land and buildings are stated at:

	2008 £	2007 £
Open market value – 1990	900,000	900,000
Cost of additions since 1990	249,383	249,383
	<u>1,149,383</u>	<u>1,149,383</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 (Continued)

8 Tangible assets (continued)

The historical cost net book value of freehold land and buildings is:

	2008 £	2007 £
Cost	1,033,405	1,033,405
Accumulated depreciation based on historical cost	(313,209)	(294,029)
Historical cost net book value	<u>720,196</u>	<u>739,376</u>

Freehold land and buildings includes land at a valuation of £303,320 (2007 - £303,320) which is not depreciated by the company.

The company has previously taken advantage of the transitional arrangements contained in FRS 15 with regard to revalued fixed assets. Accordingly, the freehold land and buildings valuation has not been updated. The last valuation of freehold land and buildings took place in 1990.

The net book value of tangible fixed assets includes an amount of £83,756 (2007 - £66,011) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the year was £24,292 (2007 - £12,700).

At 30 September 2008, no corporation tax would arise if the freehold properties were sold for the revalued amount shown in the financial statements. It is not the intention of the company to dispose of the related assets in the foreseeable future.

9 Investments

	Subsidiary undertaking £
Cost	
At 1 October 2007 and 30 September 2008	<u>33,025</u>

Shelbourne Reynolds Engineering Limited owns 100% of the 25,000 common \$1 stock of Shelbourne Reynolds, Inc, a company registered in the United States of America, in the state of Kansas. Its principal activity during the year was the distribution and servicing of Shelbourne Reynolds Engineering Limited products in the USA.

In addition, Shelbourne Reynolds Engineering Limited owns 100% of the 25,000 €1 stock of Shelbourne Europe GmbH, a company registered in Germany. The company is dormant.

The aggregate amount of capital and reserves of Shelbourne Reynolds Inc as at 30 September 2008 was \$513,389 (2007 - \$269,307). The profit for the year was \$244,083 (2007 - \$36,339). The aggregate amount of capital and reserves of Shelbourne Europe GmbH was €25,000, with no profit or loss for both 2008 and 2007.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 *(Continued)*

10 Stocks

	2008 £	2007 £
Raw materials and consumables	243,289	148,658
Work in progress	1,313,758	1,208,804
Goods held for resale	875,838	862,900
	<u>2,432,885</u>	<u>2,220,362</u>

There was no material difference between the replacement cost of stocks and the amounts stated above.

11 Debtors

	2008 £	2007 £
Trade debtors subject to financing	-	373,792
Less: Non-returnable proceeds	-	(4,423)
	<u>-</u>	<u>369,369</u>
Other trade debtors	1,325,096	729,651
Trade debtors	1,325,096	1,099,020
Other debtors	41,509	100,284
Prepayments and accrued income	42,730	87,247
	<u>1,409,335</u>	<u>1,286,551</u>

During the prior year the company factored certain debts. Under the terms of this factoring arrangement, an interest in those debts was sold in exchange for cash. Interest on the factored debts was calculated on the daily balances on the account using a rate of 2% above Base Rate for sterling balances and 1.5% above Base Rate for all other balances.

The company was not obliged and did not intend to support any losses arising from the assigned debts against which cash had been advanced. The providers of the finance had confirmed in writing that in the event of default in payment by a debtor, they would seek repayment of cash advanced only from the remainder of the pool of debts in which they had an interest, and that repayment would not be required from the company in any other way.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 (Continued)

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank overdraft (secured)	-	394,093
Bank mortgage	88,404	-
Loan from parent undertaking (see note 18)	44,200	227,900
Obligations under finance leases and hire purchase contracts (secured - see note 13)	30,781	21,371
Amounts due to related parties (see note 18)	221,994	22,020
Trade creditors	1,287,819	914,581
Corporation tax	-	2,873
Other taxes and social security costs	54,980	63,602
Other creditors	56,813	36,739
Accruals	129,401	124,890
	<u>1,914,392</u>	<u>1,808,069</u>

The overdraft and bank mortgage are secured by a debenture together with a fixed charge over the company's freehold land and buildings.

13 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Loan from parent undertaking (see note 18)	-	22,100
Bank mortgage (secured)	1,008,862	650,000
Obligations under hire purchase contracts (secured)	19,626	25,397
	<u>1,028,488</u>	<u>697,497</u>

The obligations under hire purchase contracts are secured on the underlying assets.

	2008 £	2007 £
Due in one to two years		
Bank mortgage	90,000	-
Loan from parent undertaking	-	22,100
Obligations under hire purchase contracts	19,626	18,524
Due in two to five years		
Bank mortgage	276,000	-
Obligations under hire purchase contracts	-	6,873
Due after five years		
Bank mortgage	642,862	650,000
	<u>1,028,488</u>	<u>697,497</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 (Continued)

13 Creditors: amounts falling due after more than one year (continued)

The bank mortgage is secured by a debenture together with a fixed charge over the company's freehold land and buildings. During the year the company's debt was restructured and is now repayable in monthly instalments over 30 years and interest is charged at 1.6% above Base Rate (previously repayable over 20 years, at 1.09% above Base Rate).

14 Deferred taxation

	£
<i>Deferred taxation</i>	
At 1 October 2007 (asset included within other debtors)	(65,343)
Profit and loss account transfer	46,265
	<u>(19,078)</u>
At 30 September 2008 (included within other debtors)	<u>(19,078)</u>
	Provided
	2008 2007
	£ £
Accelerated capital allowances	(6,521) (14,379)
Short term timing differences	(579) -
Tax losses	(11,978) (50,964)
	<u>(19,078) (65,343)</u>

15 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2008	2007	2008	2007
	£	£	£	£
Ordinary shares of £1 each	<u>600,000</u>	<u>600,000</u>	<u>298,278</u>	<u>298,278</u>

16 Reserves

	Share premium	Revaluation reserve	Profit and loss account
	£	£	£
At 1 October 2007	470,235	79,896	1,314,871
Profit for the year	-	-	302,102
Depreciation transfer	-	(1,972)	1,972
At 30 September 2008	<u>470,235</u>	<u>77,924</u>	<u>1,618,945</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 *(Continued)*

17 Reconciliation of movements in shareholder's funds

	2008 £	2007 £
Profit/(loss) for the year	302,102	(222,127)
	<u>302,102</u>	<u>(222,127)</u>
Opening shareholder's funds	2,163,280	2,385,407
Closing shareholder's funds	<u>2,465,382</u>	<u>2,163,280</u>

18 Related party transactions and controlling interest

Transactions with related companies

During the year, no sales (2007: £975,562) were made to Russian Shelbourne Limited. The balance at the year end due to Russian Shelbourne Limited was £42,098 (2007: £15,941). This arose due to an overpayment.

Shelbourne Reynolds Inc, a 100% subsidiary incorporated in America, charged £402,869 (2007: £330,383) to Shelbourne Reynolds Engineering Limited for handling charges during the year. At the year end there was a net creditor of £179,896 (2007: £6,079) in respect of these transactions. In addition, goods were sold to Shelbourne Reynolds Inc for £22,261 (2007: £55,628) and purchased from them for £199,088 (2007: £134,393).

AV Kuznetsov is a director of Inteko-Agrotech LLC, a company incorporated in Russia. During the year no goods were sold to Inteko-Agrotech LLC (2007: £10,200). At 30 September 2008 Inteko-Agrotech LLC owed the company £nil (2007: £175,210 included in trade debtors).

During the prior year Russian Shelbourne Limited loaned Shelbourne Reynolds Engineering Limited £250,000. This was an unsecured loan, with interest being charged at 1% above Barclays Bank plc base rate. Interest charged in the year amounted to £2,652 (2007: £12,315). As a result of the following restructure to the debt, the £12,315 was reversed by Russian Shelbourne Limited in 2007. The loan was to be repayable by 2012 but has been amended subsequently as shown below:

The Inteko-Agrotech LLC debt, which reached a peak during the year of £205,800 (€259,310), was paid by Russian Shelbourne Limited on behalf of Inteko-Agrotech LLC. To achieve this, the £205,800 was offset against the £250,000 loan to Shelbourne Reynolds Engineering Limited. The remaining balance of £44,200 is to be repaid in two equal instalments by September 2009. In view of this, the ageing of the related debtors and creditors was amended in the financial statements at 30 September 2007 to reflect the revised timing of settlement of the respective amounts. At the year end 30 September 2008 the outstanding balance on the loan is £44,200.

During the year sales of £50,762 (2007: £nil) were made to the ultimate controlling party, Victor Baturin.

Ultimate parent company

The immediate and ultimate parent company is Russian Shelbourne Limited, a company incorporated in England and Wales.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 (Continued)

18 Related party transactions and controlling interest (continued)

Controlling party

The ultimate controlling party is Victor Baturin by virtue of his majority shareholding in the ultimate parent company, Russian Shelbourne Limited.

19 Commitments under operating leases

As at 30 September 2008, the company had annual commitments under non-cancellable operating leases, none of which relates to land & buildings, as set out below:

	2008 £	2007 £
Operating leases which expire:		
Within one year	2,388	-
In two to five years	16,893	15,998
After five years	-	1,997
	<u>19,281</u>	<u>17,995</u>

20 Capital commitments

	2008 £	2007 £
Contracted but not provided for	<u>66,621</u>	<u>40,856</u>

21 Financial Instruments

During the year, the company entered into an interest rate swap in order to minimise the risk of the movement in the bank base rate. The fixed rate swap agreement was entered into on 25 July 2008 for a period of 10 years on a notional amount of £800,000. The fixed rate swap is at 5.34% and expires on 25 July 2018.

22 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2008 £	2007 £
Operating profit/(loss)	453,472	(135,518)
Depreciation of tangible fixed assets	80,614	89,196
Amortisation of intangible fixed assets	-	1,100
Loss/(profit) on sale of tangible fixed assets	3,584	(5,703)
(Increase)/decrease in stocks	(212,523)	198,544
Increase in debtors	(169,049)	(20,483)
Increase/(decrease) in creditors	601,490	(7,723)
Net cash inflow from operating activities	<u>757,588</u>	<u>119,413</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes to the abbreviated accounts for the year ended 30 September 2008 *(Continued)*

23 Reconciliation of net cashflow to movement in net debt

	2008 £	2007 £
Increase in cash in the year	794,197	200,264
Cash inflow from increase in debt and lease financing	(204,249)	(206,010)
Change in net debt resulting from cash flows	589,948	(5,746)
New hire purchase contracts	(40,856)	(45,630)
Movement in net debt in the period	549,092	(51,376)
Net debt at 1 October 2007	(1,181,820)	(1,130,444)
Net debt at 30 September 2008	(632,728)	(1,181,820)

24 Analysis of changes in cash and net debt

	At 1 October 2007 £	Cash flow £	Other non- cash changes £	At 30 September 2008 £
Cash at bank and in hand	159,041	400,104	-	559,145
Overdraft	(394,093)	394,093	-	-
	(235,052)	794,197	-	559,145
Debt due within one year	(227,900)	183,700	(88,404)	(132,604)
Debt due after one year	(672,100)	(425,166)	88,404	(1,008,862)
Finance leases and hire purchase contracts	(46,768)	37,217	(40,856)	(50,407)
Total	(1,181,820)	589,948	(40,856)	(632,728)