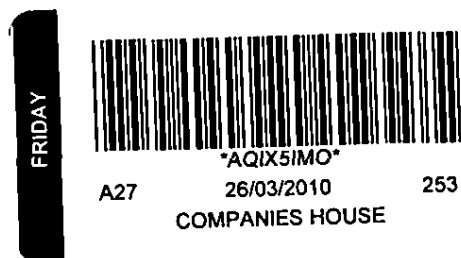


**Shelbourne Reynolds Engineering Limited**

Report and Financial Statements

Year Ended

30 September 2009



Company Number 1055939

# **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

## **Annual report and financial statements for the year ended 30 September 2009**

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7	Balance sheet
8	Cash flow statement
9	Notes forming part of the financial statements

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### **Directors**

Russian Shelbourne Limited  
N Gorbunov  
AV Kuznetsov  
N Smith  
A Budakov

### **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 2009**

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The directors present their report together with the audited financial statements for the year ended 30 September 2009

### **Business review and principal activities and future outlook**

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

Strong sales performance on all core products is the underlying feature of this year's accounts. The increased demand in particular for our harvesting equipment is attributable to a greater acceptance of the different farming systems these products allow in rainfall limited farming areas. This trend is expected to be sustainable in future years and should also provide for further growth.

Favourable exchange rate shifts in the year gained margin on the exported products as well as improving our position against imported competition in our domestic market. The outlook is favourable as the company strengthens its position in both the harvesting and ground care sectors.

The results for the year show a pre-tax profit of £2,383,739 (2008 – £348,086) for the year and sales of £13,155,381 (2008 - £9,827,452)

The directors do not recommend the payment of a final dividend

### **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

### **Financial risk management and objectives and policies**

The company uses various financial instruments, these include cash, bank overdraft, bank loan, other loans, finance lease arrangements and various items such as trade debtors and trade creditors that arise directly from its operations

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk, credit risk and currency risk

#### ***Liquidity risk***

The company seeks to manage its financial risk by ensuring it maintains sufficient liquidity available to meet future needs and short term flexibility

## **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

### **Report of the directors for the year ended 30 September 2009 (Continued)**

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#### **Financial risk management and objectives and policies (continued)**

##### ***Interest rate risk***

The company finances its operations through a mixture of bank borrowings and other loans. The company's exposure to interest rate fluctuations on its bank borrowings is managed by the use of fixed interest rates and interest rate swaps on floating debt.

##### ***Credit risk***

The company's principal financial assets are cash and trade debtors. Risks associated with cash are limited as the bank has high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade debtors. In order to manage this credit risk the directors set limits for customers based on a combination of payment history and third party references. Credit limits are reviewed on a regular basis together with debt ageing and collection history. In addition the company uses a recognised credit insurance policy to insure against potential default.

##### ***Currency risk***

The company is exposed to transaction foreign exchange risk. This currency exposure is managed based on forecast cash flows for the currencies of US Dollar and Euro. The impact of movements in exchange rates is mitigated significantly by the use of forward foreign exchange contracts.

#### **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 £549 (2008 - £1,021).

#### **Directors**

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

Russian Shelbourne Limited

N Smith

N Gorbunov

AV Kuznetsov

A Budakov (appointed 1 December 2009)

#### **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 £776,968 (2008 - £798,120). However, in the absence of a recent valuation this excess cannot be readily quantified.

## **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

### **Report of the directors for the year ended 30 September 2009 (Continued)**

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#### **Directors' responsibilities**

The directors are responsible for preparing the 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 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 the 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 state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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 to 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.

#### **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.

#### **Auditors**

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

#### **By order of the Board**



**A Budakov**  
**Director**

Date...24th March 2010

## **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

### **Independent auditors' report to the member of Shelbourne Reynolds Engineering Limited**

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We have audited the financial statements on pages 5 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member those matters we are required to state in an auditors' 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 member, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2009 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

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.

*Baker Tilly UK Audit LLP*

PETER HOWARD (Senior Statutory Auditor)

For and on behalf of

**BAKER TILLY UK AUDIT LLP**

*Registered Auditors and*

*Chartered Accountants*

Abbotsgate House

Hollow Road

Bury St Edmunds

Suffolk

IP32 7FA

25/03/10

# **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

## **Profit and loss account for the year ended 30 September 2009**

	<b>Note</b>	<b>2009 £</b>	<b>2008 £</b>
<b>Turnover</b>	2	<b>13,155,381</b>	9,827,452
Cost of sales		<b>(9,587,908)</b>	(7,636,287)
<b>Gross profit</b>		<b>3,567,473</b>	2,191,165
Administrative expenses		<b>(1,082,554)</b>	(1,737,693)
<b>Operating profit</b>	5	<b>2,484,919</b>	453,472
Interest payable and similar charges	6	<b>(101,180)</b>	(105,386)
<b>Profit on ordinary activities before taxation</b>		<b>2,383,739</b>	348,086
Taxation on profit on ordinary activities	7	<b>(667,859)</b>	(45,984)
<b>Profit on ordinary activities after taxation</b>	17	<b>1,715,880</b>	302,102

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

The notes on pages 9 to 19 form part of these financial statements

## **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

### **Note of historical cost profit and losses for the year ended 30 September 2009**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Note of historical cost profit and losses</b>		
Reported profit on ordinary activities before taxation	<b>2,383,739</b>	<b>348,086</b>
Difference between an historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	<b>1,972</b>	<b>1,972</b>
<b>Historical cost profit on ordinary activities before taxation</b>	<b>2,385,711</b>	<b>350,058</b>
<b>Historical cost profit for the year after taxation</b>	<b>1,775,474</b>	<b>304,074</b>

The notes on pages 9 to 19 form part of these financial statements

# SHELBOURNE REYNOLDS ENGINEERING LIMITED


Balance sheet at 30 September 2009

Company Number 1055939

	Note	2009	2008
		£	£
<b>Fixed assets</b>			
Tangible assets	9	1,297,521	973,872
Investments	10	16,258	33,025
		<u>1,313,779</u>	<u>1,006,897</u>
<b>Current assets</b>			
Stocks	11	2,338,315	2,432,885
Debtors	12	1,529,195	1,409,335
Cash at bank and in hand		2,199,888	559,145
		<u>6,067,398</u>	<u>4,401,365</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(2,202,665)</u>	<u>(1,914,392)</u>
<b>Net current assets</b>		<u>3,864,733</u>	<u>2,486,973</u>
<b>Total assets less current liabilities</b>		<u>5,178,512</u>	<u>3,493,870</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(958,706)	(1,028,488)
<b>Provisions for liability and charges</b>	15	(38,544)	-
<b>Net assets</b>		<u>4,181,262</u>	<u>2,465,382</u>
<b>Capital and reserves</b>			
Called up share capital	16	298,278	298,278
Share premium account	17	470,235	470,235
Revaluation reserve	17	75,952	77,924
Profit and loss account	17	3,336,797	1,618,945
<b>Shareholder's funds</b>	18	<u>4,181,262</u>	<u>2,465,382</u>

The financial statements were approved by the Board and authorised for issue on  
are signed on its behalf by

and

  
A Budakov  
Director  
24th March 2010

The notes on pages 9 to 19 form part of these financial statements

# SHELBOURNE REYNOLDS ENGINEERING LIMITED

## Cash flow statement for the year ended 30 September 2009

	Note	2009	2008
		£	£
<b>Net cash inflow from operating activities</b>	23	<b>2,259,496</b>	<b>757,588</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(94,142)	(112,842)
Interest on hire purchase agreements		(7,038)	(4,859)
		<b>(101,180)</b>	<b>(117,701)</b>
<b>Taxation</b>		-	(2,592)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(377,297)	(47,547)
Receipts from sales of tangible fixed assets		20,541	200
		<b>(356,756)</b>	<b>(47,347)</b>
<b>Cash inflow/(outflow) before financing</b>		<b>1,801,560</b>	<b>589,948</b>
<b>Financing</b>			
Loans advanced	25	31,430	450,000
Loans repaid	25	(132,604)	(208,534)
Capital element of hire purchase contracts and finance lease rentals	24	(59,643)	(37,217)
		<b>(160,817)</b>	<b>204,249</b>
<b>Increase in cash</b>	24	<b>1,640,743</b>	<b>794,197</b>

The notes on pages 9 to 19 form part of these financial statements

# SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009

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## 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 accounts present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided section 400 of the Companies Act 2006 not to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Russian Shelbourne Limited, a company incorporated in the United Kingdom.

### *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.

# **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

## **Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)**

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### **1 Accounting policies (Continued)**

#### *Foreign currencies*

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange applicable 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.

#### *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.

## **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

### **Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)**

#### **2 Turnover**

Turnover is wholly attributable to the principal activity of the company.

A geographical analysis of turnover has not been disclosed as, in the opinion of the directors, it would be seriously prejudicial to the company's interests

#### **3 Employees**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Staff costs (including directors) consist of		
Wages and salaries	<b>2,563,322</b>	2,169,675
Social security costs	<b>232,576</b>	193,148
	<b><u>2,795,898</u></b>	<b><u>2,362,823</u></b>

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

	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
Office and management	<b>34</b>	33
Manufacturing	<b>72</b>	63
	<b><u>106</u></b>	<b><u>96</u></b>

#### **4 Directors**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Directors' emoluments consist of		
Remuneration for management services	<b><u>151,625</u></b>	<b><u>196,262</u></b>

#### **5 Operating profit**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
This has been arrived at after charging/(crediting)		
Depreciation of assets held under finance lease and hire purchase contracts	<b>19,166</b>	25,659
Depreciation of tangible fixed assets	<b>74,419</b>	54,955
Foreign exchange profit	<b>(884,871)</b>	(17,267)
(Profit)/loss on sale of fixed assets	<b>(4,318)</b>	3,584
Operating lease rentals - office equipment	<b>14,172</b>	7,729
- motor vehicles	<b>23,456</b>	12,767
Research and development costs	<b>23,207</b>	21,325
Auditors remuneration - statutory audit	<b>22,407</b>	17,970
- other services relating to taxation	<b><u>9,152</u></b>	<b><u>7,006</u></b>

# SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 *(Continued)*

## 6 Interest payable and similar charges

	2009 £	2008 £
Bank loans and overdraft	89,025	106,221
Interest on parent loan	117	(9,663)
Finance leases and hire purchase contracts	7,038	4,859
Other interest	5,000	3,969
	<u>101,180</u>	<u>105,386</u>

## 7 Taxation

	2009 £	2008 £
UK corporation tax		
- current year	610,237	-
- adjustments in respect of prior periods	-	(281)
Total current tax	<u>610,237</u>	<u>(281)</u>
Deferred tax		
Origination and reversal of timing differences	63,155	46,265
Effect of decreased tax rate on opening asset	(5,533)	-
Taxation on profit on ordinary activities	<u>667,859</u>	<u>45,984</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

	2009 £	2008 £
Profit on ordinary activities before tax	<u>2,383,739</u>	<u>348,086</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28.00 % (2008 – 29.00%)	667,447	100,945
Effects of		
Expenses not allowed for tax purposes	2,305	5,782
Capital allowances in excess of depreciation	(43,544)	(11,844)
Tax losses utilised	(15,971)	(95,683)
Other short term timing differences	-	800
Adjustment in respect of previous periods	-	(281)
Current tax charge/(credit) for the year	<u>610,237</u>	<u>(281)</u>

# SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)

## 8 Intangible fixed assets

	Manufacturing & distribution rights £
<i>Cost</i>	
At 1 October 2008	94,934
Disposals	(94,934)
<b>At 30 September 2009</b>	<b>-</b>
<i>Amortisation</i>	
At 1 October 2008	94,934
Disposals	(94,934)
<b>30 September 2009</b>	<b>-</b>
<i>Net book value</i>	
<b>At 30 September 2009</b>	<b>-</b>
At 30 September 2008	-

## 9 Tangible assets

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Office equipment £	Total £
<i>Cost or valuation</i>					
At 1 October 2008	1,149,383	137,608	2,050,899	377,440	3,715,330
Additions	-	6,500	366,882	60,075	433,457
Disposals	-	(36,150)	(18,567)	(37,464)	(92,181)
<b>At 30 September 2009</b>	<b>1,149,383</b>	<b>107,958</b>	<b>2,399,214</b>	<b>400,051</b>	<b>4,056,606</b>
<i>Depreciation</i>					
At 1 October 2008	351,263	82,379	1,948,198	359,618	2,741,458
Charge for the year	21,152	17,882	35,383	19,168	93,585
Disposals	-	(20,489)	(18,005)	(37,464)	(75,958)
<b>At 30 September 2009</b>	<b>372,415</b>	<b>79,772</b>	<b>1,965,576</b>	<b>341,322</b>	<b>2,759,085</b>
<i>Net book value</i>					
<b>At 30 September 2009</b>	<b>776,968</b>	<b>28,186</b>	<b>433,638</b>	<b>58,729</b>	<b>1,297,521</b>
At 30 September 2008	798,120	55,229	102,701	17,822	973,872

Freehold land and buildings are stated at

	2009 £	2008 £
Open market value – 1990	900,000	900,000
Cost of additions since 1990	249,383	249,383
	<b>1,149,383</b>	<b>1,149,383</b>

# SHELBOURNE REYNOLDS ENGINEERING LIMITED

## Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)

### 9 Tangible assets (continued)

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

	2009 £	2008 £
Cost	1,033,405	1,033,405
Accumulated depreciation based on historical cost	(332,389)	(313,209)
Historical cost net book value	<u>701,016</u>	<u>720,196</u>

Freehold land and buildings includes land at a valuation of £303,320 (2008 - £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 £94,635 (2008 - £83,756) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the year was £19,166 (2008 - £25,659).

At 30 September 2009, 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.

### 10 Investments

	Subsidiary undertaking £
<i>Cost</i>	
At 1 October 2008 and 30 September 2009	<u>33,025</u>
<i>Provision for impairment</i>	
Written off	(16,767)
<b>At 30 September 2009</b>	<u><b>(16,767)</b></u>
<i>Net book value</i>	
At 30 September 2009	<u>16,258</u>
At 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 2009 was \$1,167,560 (2008 - \$513,389). The profit for the year was \$735,532 (2008 - \$244,083). The aggregate amount of capital and reserves of Shelbourne Europe GmbH was €25,000, with no profit or loss for both 2009 and 2008.

# **SHELBOURNE REYNOLDS ENGINEERING LIMITED**

## **Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)**

### **11 Stocks**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	<b>145,965</b>	243,289
Work in progress	<b>1,443,902</b>	1,313,758
Goods held for resale	<b>748,448</b>	875,838
	<b><u>2,338,315</u></b>	<b><u>2,432,885</u></b>

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

### **12 Debtors**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>1,513,194</b>	1,325,096
Other debtors	<b>321</b>	41,509
Prepayments and accrued income	<b>15,680</b>	42,730
	<b><u>1,529,195</u></b>	<b><u>1,409,335</u></b>

### **13 Creditors: amounts falling due within one year**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Bank mortgage (secured)	<b>88,404</b>	88,404
Carbon Trust energy efficiency loan	<b>10,776</b>	-
Loan from parent undertaking (see note 19)	-	44,200
Obligations under finance leases and hire purchase contracts (secured)	<b>29,330</b>	30,781
Amounts due to related parties (see note 19)	<b>124,948</b>	221,994
Trade creditors	<b>1,085,889</b>	1,287,819
Corporation tax	<b>610,237</b>	-
Other taxes and social security costs	<b>82,855</b>	54,980
Other creditors	<b>123,272</b>	56,813
Accruals	<b>46,954</b>	129,401
	<b><u>2,202,665</u></b>	<b><u>1,914,392</u></b>

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

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

# SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)

## 14 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Bank mortgage (secured – see note 13)	920,458	1,008,862
Obligations under hire purchase contracts (secured – see note 13)	17,594	19,626
Carbon Trust energy efficiency loan	20,654	-
	<u>958,706</u>	<u>1,028,488</u>
	2009 £	2008 £
<b>Due in one to two years</b>		
Bank mortgage	90,000	90,000
Obligations under hire purchase contracts	17,594	19,626
Carbon Trust energy efficiency loan	10,776	-
<b>Due in two to five years</b>		
Bank mortgage	276,000	276,000
Carbon Trust energy efficiency loan	9,878	-
<b>Due after five years</b>		
Bank mortgage	554,458	642,862
	<u>958,706</u>	<u>1,028,488</u>

## 15 Provisions for liabilities and charges

	£
<i>Deferred taxation</i>	
At 1 October 2008 (asset included within other debtors)	(19,078)
Profit and loss account transfer	57,622
	<hr/>
<b>At 30 September 2009</b>	<b>38,544</b>
	<hr/>

	<b>Provided</b>	
	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<b>39,316</b>	(6,521)
Short term timing differences	<b>(772)</b>	(579)
Tax losses	-	(11,978)
	<hr/>	<hr/>
	<b>38,544</b>	<b>(19,078)</b>

# SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)

## 16 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2009	2008	2009	2008
	£	£	£	£
Ordinary shares of £1 each	<u>600,000</u>	<u>600,000</u>	<u>298,278</u>	<u>298,278</u>

## 17 Reserves

	Share premium	Revaluation reserve	Profit and loss account
	£	£	£
At 1 October 2008	470,235	77,924	1,618,945
Profit for the year	-	-	1,715,880
Depreciation transfer	-	(1,972)	1,972
At 30 September 2009	<u>470,235</u>	<u>75,952</u>	<u>3,336,797</u>

## 18 Reconciliation of movements in shareholder's funds

	2009	2008
	£	£
Profit for the year	<u>1,715,880</u>	<u>302,102</u>
Opening shareholder's funds	<u>1,715,880</u>	<u>302,102</u>
	<u>2,465,382</u>	<u>2,163,280</u>
Closing shareholder's funds	<u>4,181,262</u>	<u>2,465,382</u>

## 19 Related party transactions and controlling interest

### *Transactions with related companies*

During the year, sales of £172,468 (2008 £Nil) were made to Russian Shelbourne Limited. The balance at the year end due to Russian Shelbourne Limited was £nil (2008 £42,098).

Shelbourne Reynolds, Inc, a 100% subsidiary incorporated in the United States of America, charged £402,869 (2008 £330,383) to Shelbourne Reynolds Engineering Limited for handling charges during the year. In addition, goods were sold to Shelbourne Reynolds, Inc for £26,915 (2008 £22,261) and purchased from them for £225,295 (2008 £199,088).

At the year end there was a net creditor of £124,948 (2008 £179,896) in respect of these transactions.

At the year end the company owed £Nil (2008 £44,200) to Russian Shelbourne Limited, the parent undertaking.

During the year no sales (2008 £50,762) were made to the ultimate controlling party, Victor Baturin.

## SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)

### 19 Related party transactions and controlling interest (continued)

#### *Ultimate parent company*

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

#### *Controlling party*

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

### 20 Commitments under operating leases

As at 30 September 2009, the company had annual commitments under non-cancellable operating leases, none of which relates to land & buildings, as set out below

	2009 £	2008 £
Operating leases which expire		
Within one year	8,558	2,388
In two to five years	34,385	16,893
After five years	15,478	-
	<u>58,421</u>	<u>19,281</u>

### 21 Capital commitments

	2009 £	2008 £
Contracted but not provided for	-	66,621

### 22 Financial Instruments

During the previous 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. At 30 September 2009 the swap had a value of £109,289 owed to Barclays Bank plc.

The company entered into forward currency contracts to manage currency expenses that arise on sales. At the year end, the company was contracted to sell \$3,000,000 (US dollars) for £1,884,374 at the contract rates. The forward contract rates mature at various dates between October 2009 and May 2010.

# SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (Continued)

## 23 Reconciliation of operating profit to net cash inflow from operating activities

	2009 £	2008 £
Operating profit	2,484,919	453,472
Depreciation of tangible fixed assets	93,585	80,614
(Profit)/loss on sale of tangible fixed assets	(4,318)	3,584
Impairment of investment	16,767	-
Decrease/(increase) in stocks	94,570	(212,523)
Increase in debtors	(138,938)	(169,049)
(Decrease)/increase in creditors	(287,089)	601,490
<b>Net cash inflow from operating activities</b>	<b>2,259,496</b>	<b>757,588</b>

## 24 Reconciliation of net cashflow to movement in net funds/(debt)

	2009 £	2008 £
Increase in cash in the year	1,640,743	794,197
Cash outflow/ (inflow) from increase in debt and lease financing	160,817	(204,249)
<b>Change in net debt resulting from cash flows</b>	<b>1,801,560</b>	<b>589,948</b>
New hire purchase contracts	(56,160)	(40,856)
<b>Movement in net debt in the year</b>	<b>1,745,400</b>	<b>549,092</b>
Net debt at 1 October 2008	(632,728)	(1,181,820)
<b>Net funds/(debt) at 30 September 2009</b>	<b>1,112,672</b>	<b>(632,728)</b>

## 25 Analysis of changes in cash and net funds/(debt)

	At 1 October 2008 £	Cash flow £	Other non- cash changes £	At 30 September 2009 £
Cash at bank and in hand	559,145	1,640,743	-	2,199,888
	559,145	1,640,743	-	2,199,888
Debt due within one year	(132,604)	33,424	-	(99,180)
Debt due after one year	(1,008,862)	67,750	-	(941,112)
Finance leases and hire purchase contracts	(50,407)	59,643	(56,160)	(46,924)
<b>Total</b>	<b>(632,728)</b>	<b>1,801,560</b>	<b>(56,160)</b>	<b>1,112,672</b>