

Company Registration No. 01055939 (England and Wales)

**SHELBOURNE REYNOLDS ENGINEERING
LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2016**

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SHELBOURNE REYNOLDS ENGINEERING LIMITED

COMPANY INFORMATION

Directors	Stanton Holding Limited A Kuznetsov N Gorbunov N Smith A Budakov C Bloomfield S Fairburn L Obraztsova
Secretary	C Bloomfield
Company number	01055939
Registered office	Shepherds Grove Industrial Estate Stanton Bury St Edmunds Suffolk IP31 2AR
Auditor	RSM UK Audit LLP Chartered Accountants Abbotsgate House Hollow Road Bury St Edmunds Suffolk IP32 7FA

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors present the strategic report for the year ended 30 September 2016.

Fair review of the business

The company's main trading activity is the manufacture and sale of agricultural machinery and parts.

We aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. Our review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties we face.

We consider our key financial performance indicators are those that communicate the financial performance and strength, these being turnover, gross profit and net assets.

The results show a pre-tax profit of £7,148,238 (2015 - £6,266,343) for the year and sales of £21,694,429 (2015 - £24,640,734).

Future outlook

Dairy farmers producing milk have experienced an extremely difficult year in 2016, with prices collapsing because of an oversupplied market but producer prices started to improve towards the end of the year. It is widely predicted that this should continue next year due to global demand growth and contracting supplies. Most UK dairy farms have now begun to move into marginally profitable financial positions. After 12 months of selling below their cost of production with virtually no re-investment the improved milk price should finally give farmers the confidence to replace such machines as diet feeders and manure spreaders which will give the company an opportunity. The consequence of the recent poor milk price has meant that more farmers have left the industry. Despite a reduced customer base the outlook for the company's livestock products for 2017 is improved from last year.

Staple foods such as wheat and corn are being stored in record volumes. This will impact the prices farmers can expect to be paid next year. After three years of declining prices and extreme weather spoiling crops in many agricultural regions, it is hoped that 2017 should see some much needed stability to food price but record global stock levels mean prices are likely to remain stubbornly low.

Volatility in the global currency markets will fluctuate agricultural commodity prices during 2017 and the potential impact of such currency fluctuations has already been seen in the UK, where the decline in the value of the pound since the Brexit vote in June has pushed up the price of food imports by as much as 16 per cent whilst boosting agricultural exports. British grain sales abroad are at their highest level for nearly 20 years. Brexit has the potential to help the company, particularly as a result of a weaker pound and more difficult trading conditions for imported competitive products. Export opportunities will be partially governed by future political decisions and negotiations.

Despite predictions of volatility, a growing world population will still need feeding and prosperity is rising, fuelling the switch to more expensive meat and dairy rich diets. The industry experts predict global food prices should in the main hold up, even if farmers are braced for little or no commodity price growth during the year.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Principal risks and uncertainties

The business is subject to a number of uncertainties including the factors that affect farmers' confidence and financial condition. These factors include demand for agricultural products, world grain stocks, weather conditions, soil conditions, harvest yields, prices for commodities and crop and livestock production expenses, the growth and sustainability of non-food uses for some crops (including ethanol and biodiesel production), land values leading to concerns over land available for farming.

The withdrawal of the United Kingdom from the European Union and the perceptions as to the impact of the withdrawal may adversely affect business activity, economic conditions in the United Kingdom, the European Union and elsewhere. The economic conditions and outlook could be further adversely affected by the uncertainty concerning the terms of the exit, new or modified trading arrangements between the United Kingdom and other countries.

The business environment we operate in is competitive. This results in pressure on price, margins, and the risk that our customer's expectations will not be met. In order to mitigate this risk we continually monitor market prices on an on-going basis. We regularly carry out market research with our customers to better understand their anticipations and whether their needs are being met.

Financial risk management and objectives and policies

The company uses various financial instruments; these include bank balances, 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 group seeks to manage its financial risk by ensuring it maintains sufficient liquidity available to meet future needs and short term flexibility.

Interest rate risk

The group finances its operations through a mixture of bank balances,

Credit risk

The group'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 risk lies with trade debtors. This credit risk is managed by setting customer limits based on a combination of payment history and third party references. These limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The company also uses a leading credit insurance policy to insure against potential payment default.

Currency risk

The company is exposed to transaction foreign exchange risk. The currency risk is managed by forecasting cash flow for the currencies of US Dollar and Euro. Forward foreign exchange contracts are used to mitigate the impact of currency fluctuations.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Key performance indicators

The company monitors certain financial statistics in the course of running the business. These are:

	2016	2015
	£	£
Turnover	21,694,429	24,640,734
Gross profit	8,875,008	10,195,022
Net assets	15,467,421	12,583,624

On behalf of the board



C Bloomfield

Director

30 May 2017

SHELBOURNE REYNOLDS ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors present their report together with the audited financial statements for the year ended 30 September 2016.

Principal activities

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

The company operates from premises in Stanton, Suffolk and has a trading subsidiary, Shelbourne Reynolds, Inc. which operates from premises in Colby, Kansas.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Stanton Holding Limited

A Kuznetsov

N Gorbunov

N Smith

A Budakov

C Bloomfield

S Fairburn

L Obratsova

(Appointed 28 July 2016)

(Appointed 26 October 2016)

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £3,000,000. The directors do not recommend payment of a further dividend.

Market value of 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 £1,271,882 (2015: £1,203,070). However, this excess cannot be readily quantified in the absence of a professional valuation, the costs of which are not considered justifiable in view of the company's intention to retain ownership of its existing properties for use in its business for the foreseeable future.

Research and development

The company 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 6.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Auditor

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the company will be put at a General Meeting.

Strategic report

In accordance with the Companies Act 2006, S414C(11), information in respect of risk has been detailed in the company's strategic report on pages 1 to 3.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



C Bloomfield

Director

30 May 2017

SHELBOURNE REYNOLDS ENGINEERING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors are responsible for preparing the Strategic Report and 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 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 judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SHELBOURNE REYNOLDS ENGINEERING LIMITED

Opinion on financial statements

We have audited the financial statements on pages 8 to 29. 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

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

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Peter Howard BAACA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk, IP32 7FA

31/05/17

SHELBOURNE REYNOLDS ENGINEERING LIMITED

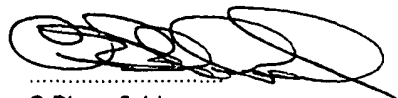
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 £	2015 £
Turnover	3	21,694,429	24,640,734
Cost of sales		(12,819,421)	(14,445,712)
Gross profit		8,875,008	10,195,022
Administrative expenses		(2,477,183)	(3,819,570)
Operating profit	6	6,397,825	6,375,452
Income from shares in group undertakings	7	768,856	-
Other interest receivable and similar income	7	10,874	6,421
Interest payable and similar charges	8	(127,616)	(136,727)
Other gains and losses	9	98,299	21,197
Profit before taxation		7,148,238	6,266,343
Taxation	10	(1,264,441)	(1,293,049)
Profit for the financial year	26	5,883,797	4,973,294

SHELBOURNE REYNOLDS ENGINEERING LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	12	2,473,668		2,237,198	
Investments	14	16,258		16,258	
		<u>2,489,926</u>		<u>2,253,456</u>	
Current assets					
Stocks	15	3,168,317		4,164,862	
Debtors	16	2,858,053		3,130,093	
Cash at bank and in hand		8,571,135		7,500,650	
		<u>14,597,505</u>		<u>14,795,605</u>	
Creditors: amounts falling due within one year	17	(1,433,339)		(3,827,467)	
Net current assets		<u>13,164,166</u>		<u>10,968,138</u>	
Total assets less current liabilities		<u>15,654,092</u>		<u>13,221,594</u>	
Creditors: amounts falling due after more than one year	18	-		(488,349)	
Provisions for liabilities	23	(186,671)		(149,621)	
Net assets		<u>15,467,421</u>		<u>12,583,624</u>	
Capital and reserves					
Called up share capital	25	298,278		298,278	
Share premium account	26	470,235		470,235	
Profit and loss reserves	26	14,698,908		11,815,111	
Total equity		<u>15,467,421</u>		<u>12,583,624</u>	

The financial statements were approved by the board of directors and authorised for issue on 30/05/17 and are signed on its behalf by:



C Bloomfield
Director

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 October 2014		298,278	470,235	8,471,817	9,240,330
Year ended 30 September 2015:					
Profit and total comprehensive income for the year		-	-	4,973,294	4,973,294
Dividends	11	-	-	(1,630,000)	(1,630,000)
Balance at 30 September 2015		298,278	470,235	11,815,111	12,583,624
Year ended 30 September 2016:					
Profit and total comprehensive income for the year		-	-	5,883,797	5,883,797
Dividends	11	-	-	(3,000,000)	(3,000,000)
Balance at 30 September 2016		298,278	470,235	14,698,908	15,467,421

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

Company information

Shelbourne Reynolds Engineering Limited is a private company limited by shares incorporated in England and Wales. The registered office is Shepherds Grove Industrial Estate, Stanton, Bury St Edmunds, Suffolk, IP31 2AR.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements are the first financial statements of Shelbourne Reynolds Engineering Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Shelbourne Reynolds Engineering Limited for the year ended 30 September 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date and are detailed in note 30.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Shelbourne Reynolds Engineering Limited is a wholly owned subsidiary of Stanton Holding Limited and the results of Shelbourne Reynolds Engineering Limited are included in the consolidated financial statements of Stanton Holding Limited which are available from 80 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1QB.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

Land and buildings freehold	over 40 years
Plant and machinery	over 5 to 8 years
Office equipment	over 3 years
Motor vehicles	over 3 to 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets include trade and other debtors and cash and bank balances.

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

Other financial assets

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, include trade and other creditors.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Other financial liabilities

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Derivatives

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

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 group'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 substantively 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.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Warranty provisions

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

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless these costs are required to be recognised as part of the cost of stocks.

Retirement benefits

The company makes contributions into individual personal pension schemes of certain employees and directors. The contributions to the schemes are charged to profit or loss in the period in which they become payable.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Warranty provisions

Provisions for warranty claims are calculated on an individual product line basis and recognised when the group becomes aware of a potential defect. The calculation requires judgements to be made, including a forecast of the number of products that are affected, the likelihood of claims being made and the costs associated with rectifying the defect.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Labour rates

Work in progress is sensitive to changes in the estimated general labour rate of the workforce. This labour rate is amended to reflect the effects of variations in the workforce, working hours, production costs and budgeted hours.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016	2015
	£	£
Turnover analysed by class of business		
Turnover from principal activity	21,694,429	24,640,734

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

3 Turnover and other revenue (Continued)

Other revenue		
Interest income	10,874	6,421
Dividends received	768,856	-
	<u>768,856</u>	<u>-</u>

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.

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Office and management	43	40
Manufacturing	92	98
	<u>135</u>	<u>138</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	4,829,063	5,369,097
Social security costs	657,680	650,276
Pension costs	26,321	26,351
	<u>5,513,064</u>	<u>6,045,724</u>

5 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	1,738,981	1,900,094
Company pension contributions to defined contribution schemes	737	726
	<u>1,739,718</u>	<u>1,900,820</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>859,254</u>	<u>1,260,619</u>
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SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

6 Operating profit

	2016	2015
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(1,902,063)	(900,893)
Research and development costs	36,208	73,211
Fees payable to the company's auditor for the audit of the company's financial statements	23,645	21,500
Depreciation of owned tangible fixed assets	358,303	266,821
Depreciation of tangible fixed assets held under finance leases	-	45,709
Profit on disposal of tangible fixed assets	(7,000)	(6,133)
Cost of stocks recognised as an expense	6,710,240	7,691,489
Operating lease charges	89,330	87,629

7 Interest receivable and similar income

	2016	2015
	£	£
Interest income		
Interest on bank deposits	10,874	6,332
Other interest income	-	89
Total interest revenue	10,874	6,421
Income from fixed asset investments		
Income from shares in group undertakings	768,856	-
Total income	779,730	6,421
Disclosed on the income statement as follows:		
Income from shares in group undertakings	768,856	-
Other interest receivable and similar income	10,874	6,421

8 Interest payable and similar charges

	2016	2015
	£	£
Interest on bank overdrafts and loans	118,346	58,499
Interest on finance leases and hire purchase contracts	5,776	7,119
Other interest	3,494	71,109
	127,616	136,727

9 Other gains and losses

	2016	2015
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	98,299	21,197

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

10 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	1,247,138	1,306,233
Adjustments in respect of prior periods	356	(13,128)
Group tax relief	4,279	4,494
Total current tax	1,251,773	1,297,599
Deferred tax		
Origination and reversal of timing differences	29,916	(4,550)
Changes in tax rates	(17,248)	-
Total deferred tax	12,668	(4,550)
Total tax charge	1,264,441	1,293,049

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	7,148,238	6,266,343
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.50%)	1,429,648	1,284,600
Tax effect of expenses that are not deductible in determining taxable profit	3,822	10,893
Tax effect of income not taxable in determining taxable profit	(153,771)	-
Adjustments in respect of prior years	356	(13,128)
Depreciation on assets not qualifying for tax allowances	6,785	10,657
Adjust deferred tax to average rate	(22,528)	27
Adjustments to brought forward values	129	-
Taxation for the year	1,264,441	1,293,049

11 Dividends

	2016 £	2015 £
Final paid	3,000,000	1,630,000

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

12 Tangible fixed assets

	Land and buildings freehold	Plant and machinery	Office Motor vehicles equipment		Total
	£	£	£	£	£
Cost					
At 1 October 2015	1,674,584	2,825,342	452,634	46,844	4,999,404
Additions	106,615	395,888	32,251	60,019	594,773
Disposals	-	(142,564)	(51,076)	(9,500)	(203,140)
At 30 September 2016	1,781,199	3,078,666	433,809	97,363	5,391,037
Depreciation and impairment					
At 1 October 2015	471,514	1,875,235	372,953	42,504	2,762,206
Depreciation charged in the year	37,803	275,843	36,740	7,917	358,303
Eliminated in respect of disposals	-	(142,564)	(51,076)	(9,500)	(203,140)
At 30 September 2016	509,317	2,008,514	358,617	40,921	2,917,369
Carrying amount					
At 30 September 2016	1,271,882	1,070,152	75,192	56,442	2,473,668
At 30 September 2015	1,203,070	950,107	79,681	4,340	2,237,198

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2016 £	2015 £
Plant and machinery	-	266,635
Depreciation charge for the year in respect of leased assets	-	45,709

Freehold land and buildings includes £303,320 (2015: £303,320) of land which is not depreciated by the company.

At 30 September 2016, no corporation tax would arise if the freehold properties were sold for the amount shown in the financial statements. It is not the intention of the company to dispose of the related assets in the foreseeable future.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

13 Subsidiaries

These financial statements are separate company financial statements for Shelbourne Reynolds Engineering Limited

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 2016 was \$2,306,932 (2015: \$2,231,037). The profit for the year was \$1,075,899 (2015: \$1,097,090). The aggregate amount of capital and reserves of Shelbourne GmbH was €nil, with no profit or loss for both 2016 and 2015.

14 Fixed asset investments

	Notes	2016 £	2015 £
Investments in subsidiaries	13	16,258	16,258

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 October 2015 & 30 September 2016	33,025
Impairment	
At 1 October 2015 & 30 September 2016	16,767
Carrying amount	
At 30 September 2016	16,258
At 30 September 2015	16,258

15 Stocks

	2016 £	2015 £
Raw materials and consumables	193,560	285,203
Work in progress	2,139,083	2,919,180
Finished goods and goods for resale	835,674	960,479
	3,168,317	4,164,862

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

16 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	2,715,538	2,934,152
Amounts owed by group undertakings	7,088	9,324
Other debtors	160	32,473
Prepayments and accrued income	135,267	154,144
	<u>2,858,053</u>	<u>3,130,093</u>

17 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	19	-	88,401
Obligations under finance leases	20	-	84,719
Trade creditors		676,010	1,856,827
Amounts due to group undertakings		26,197	202,988
Corporation tax		496,457	348,963
Other taxation and social security		135,350	972,805
Other creditors		2,386	2,999
Accruals and deferred income		96,939	269,765
		<u>1,433,339</u>	<u>3,827,467</u>

18 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	19	-	390,050
Derivative financial instruments		-	98,299
		<u>-</u>	<u>488,349</u>

19 Borrowings

	2016 £	2015 £
Bank loans	-	478,451
	<u>-</u>	<u>478,451</u>
Payable within one year	-	88,401
Payable after one year	-	390,050
	<u>-</u>	<u>478,451</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

19 Borrowings (Continued)

The bank loan was secured by a debenture together with a fixed charge over the company's freehold land and buildings. The bank loan was repayable in monthly instalments and attracted interest at a floating rate of 1.6% above the Barclays Bank Plc base rate. A loan of £800,000 was fixed by an interest rate swap.

Obligations under finance leases and hire purchase contracts were secured by related assets and bore finance charges at 2.77% per annum.

20 Finance lease obligations

	2016	2015
	£	£
Future minimum lease payments due under finance leases:		
Less than one year	-	84,719

Finance lease payments represented rentals payable by the company for certain items of plant and machinery. During the year these leases were repaid in full.

21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
Balances:		
Accelerated capital allowances	127,878	136,825
Other timing differences	(227)	(2,182)
Liabilities measured at fair value	-	(19,660)
	<u>127,651</u>	<u>114,983</u>
Movements in the year:		2016 £
Liability at 1 October 2015		114,983
Charge to profit or loss		12,668
Liability at 30 September 2016		<u>127,651</u>

22 Financial instruments

	2016 £	2015 £
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	-	98,299

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

23 Provisions for liabilities

	Notes	2016 £	2015 £
Warranty claims		59,020	34,638
Deferred tax liabilities	21	127,651	114,983
		<u>186,671</u>	<u>149,621</u>

Movements on provisions apart from retirement benefits and deferred tax liabilities:

	Warranty claims £
At 1 October 2015	34,638
Additional provisions in the year	<u>24,382</u>
At 30 September 2016	<u>59,020</u>

24 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>26,321</u>	<u>26,351</u>

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

25 Share capital

	2016 £	2015 £
Ordinary share capital Issued and fully paid 298,278 Ordinary shares of £1 each	<u>298,278</u>	<u>298,278</u>

26 Reserves

Share premium

Consideration received for shares issued above their normal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

27 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	47,950	73,182
Between one and five years	44,473	36,927
	<u>92,423</u>	<u>110,109</u>

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2016 £	2015 £
Acquisition of tangible fixed assets	-	300,086
	<u>-</u>	<u>300,086</u>

29 Controlling party

The immediate parent company is Stanton Holding Limited, a company incorporated in England and Wales.

The ultimate controlling party is Daniel Greenburg, by virtue of being the sole trustee of the discretionary trust which holds the shares in the ultimate parent company, Inter Agro Tech Limited, a company incorporated in the British Virgin Islands.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

30 Reconciliations on adoption of FRS 102

Reconciliation of equity

	Notes	At 1 October 2014			At 30 September 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
Fixed assets							
Tangible assets	b.	2,404,602	(66,092)	2,338,510	2,301,318	(64,120)	2,237,198
Investments		16,258	-	16,258	16,258	-	16,258
		<u>2,420,860</u>	<u>(66,092)</u>	<u>2,354,768</u>	<u>2,317,576</u>	<u>(64,120)</u>	<u>2,253,456</u>
Current assets							
Stocks		3,807,654	-	3,807,654	4,164,862	-	4,164,862
Debtors		2,877,347	-	2,877,347	3,130,093	-	3,130,093
Bank and cash		4,232,496	-	4,232,496	7,500,650	-	7,500,650
		<u>10,917,497</u>	<u>-</u>	<u>10,917,497</u>	<u>14,795,605</u>	<u>-</u>	<u>14,795,605</u>
Creditors due within one year							
Borrowings		(88,401)	-	(88,401)	(88,401)	-	(88,401)
Finance leases		(91,417)	-	(91,417)	(84,719)	-	(84,719)
Taxation		(1,224,268)	-	(1,224,268)	(1,321,768)	-	(1,321,768)
Other creditors		(1,776,997)	-	(1,776,997)	(2,332,579)	-	(2,332,579)
		<u>(3,181,083)</u>	<u>-</u>	<u>(3,181,083)</u>	<u>(3,827,467)</u>	<u>-</u>	<u>(3,827,467)</u>
Net current assets		<u>7,736,414</u>	<u>-</u>	<u>7,736,414</u>	<u>10,968,138</u>	<u>-</u>	<u>10,968,138</u>
Total assets less current liabilities		<u>10,157,274</u>	<u>(66,092)</u>	<u>10,091,182</u>	<u>13,285,714</u>	<u>(64,120)</u>	<u>13,221,594</u>
Creditors due after one year							
Borrowings		(478,451)	-	(478,451)	(390,050)	-	(390,050)
Finance leases		(85,401)	-	(85,401)	-	-	-
Derivatives	a.	-	(119,496)	(119,496)	-	(98,299)	(98,299)
		<u>(563,852)</u>	<u>(119,496)</u>	<u>(683,348)</u>	<u>(390,050)</u>	<u>(98,299)</u>	<u>(488,349)</u>
Provisions for liabilities							
Deferred tax	a.	(143,432)	23,899	(119,533)	(134,643)	19,660	(114,983)
Other provisions		(47,971)	-	(47,971)	(34,638)	-	(34,638)
		<u>(191,403)</u>	<u>23,899</u>	<u>(167,504)</u>	<u>(169,281)</u>	<u>19,660</u>	<u>(149,621)</u>
Net assets		<u>9,402,019</u>	<u>(161,689)</u>	<u>9,240,330</u>	<u>12,726,383</u>	<u>(142,759)</u>	<u>12,583,624</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

30 Reconciliations on adoption of FRS 102

Notes	At 1 October 2014			At 30 September 2015		
	Previous UK GAAP	Effect of transition	FRS 102	Previous UK GAAP	Effect of transition	FRS 102
	£	£	£	£	£	£
Capital and reserves						(Continued)
Share capital	298,278	-	298,278	298,278	-	298,278
Share premium	470,235	-	470,235	470,235	-	470,235
Revaluation reserve	b. 66,092	(66,092)	-	64,120	(64,120)	-
Profit and loss	a. 8,567,414	(95,597)	8,471,817	11,893,750	(78,639)	11,815,111
Total equity	9,402,019	(161,689)	9,240,330	12,726,383	(142,759)	12,583,624

Reconciliation of profit or loss for the year

Notes	Year ended 30 September 2015		
	Previous UK GAAP	Effect of transition	FRS 102
	£	£	£
Turnover	24,640,734	-	24,640,734
Cost of sales	(14,445,712)	-	(14,445,712)
Gross profit	10,195,022	-	10,195,022
Administrative expenses	b. (3,821,542)	1,972	(3,819,570)
Interest receivable and similar income	6,421	-	6,421
Interest payable and similar charges	(136,727)	-	(136,727)
Other gains and losses	a. -	21,197	21,197
Profit before taxation	6,243,174	23,169	6,266,343
Taxation	(1,288,810)	(4,239)	(1,293,049)
Profit for the financial period	4,954,364	18,930	4,973,294

Notes to reconciliations on adoption of FRS 102

a. Interest rate swaps and foreign exchange forward contracts

Under previous UK GAAP fair value gains/losses on interest rate swaps and foreign exchange forward contracts were disclosed but not recognised in the financial statements. Under FRS102, these instruments are recognised as assets or liabilities, with a total liability of £119,496 being recognised at 1 October 2014, together with associated deferred tax of £23,899, and a corresponding adjustment to reserves. Fair value gains of £21,197 on these instruments were recognised in profit or loss under FRS102 for the year ended 30 September 2015, together with a deferred tax movement of £4,239.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

30 Reconciliations on adoption of FRS 102 (Continued)

b. Cost of freehold buildings

Under previous UK GAAP some items of freehold land and buildings were held at a frozen valuation of £900,000 in line with FRS15. Under FRS102 these items have been reverted to their historic cost value of £784,022 and associated depreciation, with a reduction on 1 October 2014 to the carrying value of freehold land and buildings of £66,092 and a removal of the associated revaluation reserve. Furthermore the transfer of depreciation between retained earnings and the revaluation reserve has been reversed for the year ending 30 September 2015, giving rise to a reduction in administrative expenses of £1,972 and an associated increase to profit.